

**NEW ISSUE – BOOK-ENTRY-ONLY****NO RATING APPLIED FOR**

*In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$6,155,000**  
**CITY OF BURBANK**  
**COMMUNITY FACILITIES DISTRICT NO. 2005-1**  
**(THE COLLECTION PUBLIC PARKING FACILITY)**  
**2006 SPECIAL TAX BONDS**

**Dated: Date of Delivery****Due: December 1, as shown below**

*This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) 2006 Special Tax Bonds (the "Bonds") are being issued by the City of Burbank, California (the "City"), for and on behalf of the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) (the "District"), in order to (i) finance a portion of the costs related to the construction of certain public parking improvements, (ii) fund a reserve fund for the Bonds, and (iii) pay for costs related to the issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS" and "FACILITIES TO BE FINANCED WITH BOND PROCEEDS."

The Bonds are authorized to be issued pursuant to the City of Burbank Special Tax Financing Improvement Code, constituting Article 20 of Chapter 14 of the Burbank Municipal Code (the "Law"). The Bonds are being issued pursuant to a resolution of the Council of the City (the "City Council"), acting as the legislative body of the District, and a Fiscal Agent Agreement, dated as of February 1, 2006 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the District, and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"). The Bonds are payable from certain revenues generated by (i) amounts received from or on behalf of the Redevelopment Agency of the City (the "Agency") constituting Tax Increment Revenues (as defined herein) and (ii) a Special Tax (as defined herein) authorized to be levied on the taxable real property within the District. The Tax Increment Revenues are payable, if available, to the Fiscal Agent, as assignee of Burbank Collection, Ltd., a California limited partnership (the "Developer"), under a promissory note executed by the Agency and payable to the Developer. The Special Tax, if required to be levied, will be levied in accordance with a Rate and Method of Apportionment of Special Tax approved by the City Council and the qualified elector within the District. See "THE BONDS," "SECURITY FOR THE BONDS," and "APPENDIX C – Rate and Method of Apportionment of Special Tax."

The Bonds will be dated the date of their original issuance and delivery, will be available in denominations of \$5,000 or integral multiples thereof, and will mature in the years and amounts as set forth in the table below. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2006.

**The Bonds are subject to optional and mandatory redemption prior to maturity as described in this Official Statement. See "THE BONDS – Redemption Provisions."**

The Bonds will be delivered in fully-registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds may be purchased in book-entry form only in the Authorized Denominations as described in this Official Statement. See "APPENDIX I – Book-Entry-Only System."

**EXCEPT WITH RESPECT TO THE TAX INCREMENT REVENUES AND THE SPECIAL TAXES, NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AGENCY, THE DISTRICT, THE COUNTY OF LOS ANGELES (THE "COUNTY"), OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY, THE DISTRICT, OR THE AGENCY, BUT ARE LIMITED OBLIGATIONS OF THE CITY, FOR AND ON BEHALF OF THE DISTRICT, PAYABLE SOLELY FROM TAX INCREMENT REVENUES AND SPECIAL TAXES AND FROM AMOUNTS IN CERTAIN OF THE FUNDS CREATED UNDER THE FISCAL AGENT AGREEMENT AND THE EARNINGS THEREON, ALL AS MORE FULLY DESCRIBED HEREIN.**

**MATURITY SCHEDULE**

<b>Maturity (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>(1)</sup> No.</b>	<b>Maturity (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>(1)</sup> No.</b>
2009	\$295,000	4.00%	100.00%	120784 AA 1	2015	\$380,000	4.75%	100.00%	120784 AG 8
2010	305,000	4.15	100.00	120784 AB 9	2016	400,000	4.85	100.00	120784 AH 6
2011	320,000	4.30	100.00	120784 AC 7	2017	415,000	4.95	100.00	120784 AJ 2
2012	335,000	4.45	100.00	120784 AD 5	2018	440,000	5.05	100.00	120784 AK 9
2013	345,000	4.55	100.00	120784 AE 3	2019	460,000	5.15	100.00	120784 AL 7
2014	365,000	4.65	100.00	120784 AF 0					

**\$2,095,000 5.20% Term Bonds Due December 1, 2023 - Price 100.00% CUSIP<sup>(1)</sup> No. 120784 AN 3**

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*The Bonds are offered when, as, and if issued by the City, for and on behalf of the District, and accepted by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City, the District, and the Agency by the City Attorney, for the Underwriter by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, and for the Developer by Resch Polster Alpert & Berger, LLP, Los Angeles, California, and Latham & Watkins LLP. It is anticipated that the Bonds will be available in book-entry form for delivery in New York, New York, on or about February 9, 2006.*

**STONE & YOUNGBERG LLC**

Dated: January 27, 2006

No dealer, broker, salesperson, or other person has been authorized by Stone & Youngberg LLC (the "Underwriter"), the City, the District, or the Agency to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the District, the Agency, or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation, or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the City, the District, the Agency, or the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, or the Agency since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**CITY OF BURBANK  
COMMUNITY FACILITIES DISTRICT NO. 2005-1  
(THE COLLECTION PUBLIC PARKING FACILITY)**

**City Council**

Jef Vander Borcht, Mayor  
Todd Campbell, Vice Mayor  
David Golonski, Council Member  
Marsha Ramos, Council Member

**City Officials and Staff**

Mary J. Alvord, City Manager  
Robert Elliot, Interim Financial Services Director  
Susan M. Georgino, Director, Community Development Department  
Ruth Davidson-Guerra, Assistant Director, Community Development Department  
Dennis A. Barlow, City Attorney  
Mary Riley, Senior Assistant City Attorney  
Donna Anderson, City Treasurer  
Margarita Campos, City Clerk

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BTI Appraisal  
Los Angeles, California

**Fiscal Agent**

Wells Fargo Bank, National Association  
Los Angeles, California

**Underwriter's Counsel**

Pillsbury Winthrop Shaw Pittman LLP  
Century City, California

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**OFFICIAL STATEMENT**  
**\$6,155,000**  
**CITY OF BURBANK**  
**COMMUNITY FACILITIES DISTRICT NO. 2005-1**  
**(THE COLLECTION PUBLIC PARKING FACILITY)**  
**2006 SPECIAL TAX BONDS**

**INTRODUCTION**

*This introduction contains only a brief summary of certain of the terms of the Bonds being offered. A full review should be made of the entire Official Statement, including the cover page and the appendices. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to and summaries of provisions of the laws of the State of California (the "State") or the City of Burbank, California (the "City"), or any documents referred to herein, do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof.*

**General**

This Official Statement, which includes the cover page and appendices hereto, provides information concerning the issuance by the City, for and on behalf of the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) (the "District"), of \$6,155,000 aggregate principal amount of the District's 2006 Special Tax Bonds (the "Bonds"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Fiscal Agent Agreement, dated as of February 1, 2006 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the District, and Wells Fargo Bank, national association, as fiscal agent (the "Fiscal Agent"). See "APPENDIX A – Summary of Certain Provisions of the Fiscal Agent Agreement."

**The District**

The District is comprised of approximately 1.92 acres of land located in the City. See "APPENDIX J – Boundary Map of the District." The District was formed pursuant to the City of Burbank Special Tax Financing Improvement Code, constituting Article 20 of Chapter 14 of the Burbank Municipal Code (the "Law"), and Resolution No. 27,098, adopted on October 25, 2005, by the Council of the City (the "City Council"), in order to finance a portion of the costs related to the construction of certain public parking improvements (the "Facilities"), and to authorize the levy of a Special Tax (as defined herein). See "THE BONDS," "THE DISTRICT," and "FACILITIES TO BE FINANCED WITH BOND PROCEEDS."

**Ownership and Development of District Property**

The property within the District is currently owned by Burbank Entertainment Village, L.L.C., a Delaware limited liability company ("Burbank Entertainment Village"). The District does not intend to issue the Bonds unless and until the property within the District is sold to Burbank Collection, Ltd., a California limited partnership (the "Developer"). The Developer plans to develop a mixed use project in the District that is expected to include approximately 118 condominium units (including rights to the exclusive use of 236 parking spaces in the Parking Structure, as defined herein) (collectively, the "Residential Component") and approximately 49,300 square feet of retail, restaurant, and storage space (including rights to use 209 parking spaces in the Parking Structure) (collectively, the "Commercial Component" and, together with the Residential Component, the "Development"). The final map for the Development is expected to be approved by the City Council on January 31, 2006. Pursuant to the Rate

and Method of Apportionment of Special Tax approved by the City Council and the qualified elector within the District (the "Rate and Method of Apportionment"), upon issuance of a building permit for the Residential Component, up to 118 residential units within the Residential Component will be released from the lien of the Special Tax. Upon such release, only the Commercial Component will be subject to the levy of Special Taxes. See "THE DEVELOPER AND THE DEVELOPMENT – The Developer" and "– Description of the Development" and "SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Tax."

### **Authorization and Purpose of Bonds**

The Bonds are authorized to be issued pursuant to the Law and are being issued pursuant to Resolution No. 27,102, adopted on October 25, 2005, by the City Council, acting as the legislative body of the District (the "Authorizing Resolution"), and the Fiscal Agent Agreement. The Bonds are being issued to provide moneys (i) to finance a portion of the costs related to the construction of the Facilities, (ii) to fund a reserve fund for the Bonds (the "Reserve Fund"), and (iii) to pay for costs related to the issuance of the Bonds. The Developer will advance its own funds at closing to be held by the Fiscal Agent in an amount sufficient, when added to the interest expected to be earned on such funds and on certain other amounts held by the Fiscal Agent, to pay interest on the Bonds through December 1, 2008. See "THE BONDS," "ESTIMATED SOURCES AND USES OF PROCEEDS," and "FACILITIES TO BE FINANCED WITH BOND PROCEEDS."

### **Payment of Bonds from Tax Increment Revenues**

Following the completion of the Facilities, as evidenced by the issuance by the City of a certificate of occupancy or temporary certificate of occupancy, the principal of and interest on the Bonds will be payable from Tax Increment Revenues (as defined herein) received by the Fiscal Agent as assignee under a promissory note, dated August 3, 1999 (the "Note"), to be executed by the Redevelopment Agency of the City of Burbank (the "Agency") in favor of the Developer. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent will first apply Tax Increment Revenues to pay the principal of and interest on the Bonds and the Administrative Expenses of the District prior to the levy of Special Taxes by the City. See "– Repayment of Bonds from Special Taxes" below and "SECURITY FOR THE BONDS – Pledge of Special Taxes."

The Note will be executed pursuant to the terms of the Amended and Restated Owner Participation Agreement, dated as of December 2, 2004 (the "Original OPA"), by and between the Agency and Champion Realty, Ltd., a California limited partnership ("Champion"), as amended by that certain Administrative Amendment to the Schedule of Performance to Amended and Restated Owner Participation Agreement, dated March 25, 2005 (the "First Administrative Amendment"), executed by the Agency and Champion, as assigned by that certain Assignment, Assumption and Consent Agreement, dated as of September 27, 2005 (the "Assignment Agreement"), by and among Champion, the Developer, the City, and the Agency, pursuant to which Assignment Agreement, among other things, Champion's obligations under the Original OPA were assigned to the Developer, as amended by that certain Second Administrative Amendment to the Schedule of Performance to Amended and Restated Owner Participation Agreement, dated December 5, 2005 (the "Second Administrative Amendment"), executed by the Agency and the Developer, as further amended by that certain Third Administrative Amendment to the Schedule of Performance to Amended and Restated Owner Participation Agreement, dated January 27, 2006 (the "Third Administrative Amendment"), executed by the Agency and the Developer. The Original OPA, the First Administrative Amendment, the Assignment Agreement, the Second Administrative Amendment, and the Third Administrative Amendment are collectively referred to herein as the "OPA."

Tax Increment Revenues, which constitute and are defined as “Pro Rata Payments” under the Note (“Tax Increment Revenues”), will be pledged to pay the scheduled annual debt service with respect to the Bonds, plus Administrative Expenses related to the Bonds and the District; provided, however, that Tax Increment Revenues shall not exceed Available Net New Tax Increment accruing from and after completion of the Facilities. “Available Net New Tax Increment” is limited to 75% of the tax increment revenues generated from the incremental assessed value (over a base value established in the OPA) of an approximately four acre site (the “Tax Increment Site”) located in the Agency’s City Centre Redevelopment Project Area, a Constituent Project Area (as defined herein) within the Agency’s Burbank Merged and Amended Redevelopment Project Area (the “Merged Project Area”). The Tax Increment Revenues payable under the Note are subordinate to certain other Agency obligations as described herein. See “SECURITY FOR THE BONDS – Pledge of Tax Increment Revenues.”

In addition to the property comprising the District (including the Residential Component, which is part of the Development but not subject to the Special Tax), the Tax Increment Site currently includes approximately 35,000 square feet of developed retail space, anchored by an approximately 87,000 square foot, 16-screen, 4,200-seat cinema, and a 250-stall parking structure (collectively, the “Phase One Development”), which was previously developed by America Multi-Cinema, Inc. (“AMC”). See “SECURITY FOR THE BONDS – Pledge of Tax Increment Revenues – The Tax Increment Site” and “THE DEVELOPER AND THE DEVELOPMENT.”

Pursuant to the projections of Tax Increment Revenues provided by Keyser Marston Associates, Inc., the Agency’s fiscal consultant (the “Fiscal Consultant”), and described herein, assuming completion of the Development and the Facilities as described herein, the Tax Increment Revenues will be sufficient to pay annual debt service with respect to the Bonds in each year, commencing from and after the completion of the Facilities. See “SECURITY FOR THE BONDS – Pledge of Tax Increment Revenues – Tax Increment Revenue Projections” and “APPENDIX F – Fiscal Consultant’s Report.”

### **Payment of Bonds from Special Taxes**

Payment of the principal of and interest on the Bonds, and payment of any amounts required to replenish the balance in the Reserve Fund to the Reserve Requirement (as defined herein) and to pay Administrative Expenses, are also secured by the Special Tax levies, if required, to be collected within the District and by moneys, including portions of the interest earned thereon, held in certain funds established under the Fiscal Agent Agreement. The City has covenanted to comply with all requirements of the Law and the Fiscal Agent Agreement to assure the timely collection of Special Taxes, including, without limitation, the enforcement of delinquent Special Taxes. “See “SECURITY FOR THE BONDS – Pledge of Revenues Under Fiscal Agent Agreement” and “– Pledge of Special Taxes.”

The proceeds of the Special Taxes received by the City, including any scheduled payments and prepayments thereof, interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien thereof to the amount of said lien and interest thereon, but not including any penalties collected in connection with any delinquent Special Taxes (the “Special Tax Revenues”), will be deposited by the City into a separate fund to be established under the Fiscal Agent Agreement and held by the Fiscal Agent (the “Special Tax Fund”). In addition, the Fiscal Agent will also deposit into the Special Tax Fund (i) the Tax Increment Revenues and (ii) any other amounts required by the Fiscal Agent Agreement to be deposited therein.

On the Business Day prior to each Interest Payment Date (as defined herein), the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund (a) prior to the date on which amounts are released from the Escrow Fund (as defined below) pursuant to the Fiscal Agent Agreement, all amounts then on deposit in the Special Tax Fund and (b) thereafter, an amount, taking into account any amounts then on deposit in the Bond

Fund and any expected transfers from other funds and accounts to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement. See "SECURITY FOR THE BONDS – Pledge of Special Taxes."

### **Other Security for the Bonds**

*Reserve Fund.* In order to secure the payment of principal of and interest and premium, if any, on the Bonds, a Reserve Fund has been established under the Fiscal Agent Agreement. The City is required to maintain an amount (from moneys available therefor under the Fiscal Agent Agreement) equal to the Reserve Requirement on deposit in the Reserve Fund so long as any Bonds remain outstanding. Amounts on deposit in the Reserve Fund will be used and withdrawn by the Fiscal Agent for the purpose of making transfers to the Bond Fund, in the event of any deficiency at any time in the Bond Fund of the amount then required for the payment of the principal of, and interest and any premium on, the Bonds or for the purpose of redeeming Bonds, all in accordance with the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Reserve Fund." Amounts in the Reserve Fund may also be used to pay any federal rebate payments due with respect to the Bonds.

*Escrow Fund.* Pursuant to the Fiscal Agent Agreement, a separate fund will be established and held by the Fiscal Agent (the "Escrow Fund") into which, on the date of issuance of the Bonds, will be deposited a portion of the proceeds of the Bonds in the amount of \$5,539,462.00. The Fiscal Agent shall disburse amounts from the Escrow Fund to the Reserve Fund, the Improvement Fund, and, if applicable, the Bond Fund, upon receipt of a certification from the City stating (a) the portion, if any, of the amount on deposit in the Escrow Fund to be used to redeem Bonds pursuant to the Fiscal Agent Agreement, which shall be an integral multiple of \$5,000, and (b) that, taking into account any such redemption, the Release Requirements (as defined herein) have been met. Upon receipt of such certification, the Fiscal Agent shall disburse the amount in the Escrow Fund as follows: (i) to the Bond Fund the amount, if any, described in the preceding clause (a), to be used to redeem Bonds on the next Interest Payment Date pursuant to the Fiscal Agent Agreement, (ii) to the Reserve Fund the amount necessary such that the amounts on deposit in the Reserve Fund is equal to the Reserve Requirement in effect following such release, and (iii) to the Improvement Fund, the balance of the amount on deposit in the Escrow Fund. See "SECURITY FOR THE BONDS – Escrow Fund." If the Release Conditions are not satisfied by April 15, 2008 (as such date may be extended pursuant to the terms of the Fiscal Agent Agreement), all amounts in the Escrow Fund will be transferred to the Bond Fund to be used to redeem a portion of the Bonds on June 1, 2008 (as such date may be extended pursuant to the term of the Fiscal Agent Agreement). See "THE BONDS – Redemption Provisions – Mandatory Redemption From Escrow Fund Transfer."

*Covenant to Commence Superior Court Foreclosure.* The City has covenanted with and for the benefit of the registered owners of the Bonds ("Owners" or "Bondowners") that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes."

### **Payment of Interest on the Bonds Prior to Completion of the Facilities**

Prior to the completion of the Facilities, interest on the Bonds will be paid from (1) investment earnings on moneys deposited in the Escrow Fund and the Reserve Fund and (2) moneys contributed by

the Developer (the "Developer Contribution") and held by the Fiscal Agent in the Capitalized Interest Account, together with any investment earnings on amounts on deposit in the Capitalized Interest Account. Moneys on deposit in the Escrow Fund, as well as moneys that comprise the Developer Contribution, are expected to be invested in an investment agreement, dated February 9, 2006 (the "Investment Agreement"), with IXISFC (as defined herein). The Investment Agreement, which satisfies the requirements for a Permitted Investment, will terminate on November 28, 2008, or earlier under certain circumstances as specified therein, and provides, among other things, that the moneys deposited thereunder will earn interest at a rate equal to 4.61% per annum. See "THE INVESTMENT AGREEMENT PROVIDER."

The Developer Contribution will be in an amount that, when combined with the estimated investment earnings on amounts in the Escrow Fund, will be sufficient to pay interest on the Bonds through December 1, 2008. See "ESTIMATED SOURCES AND USES OF PROCEEDS," and "SECURITY FOR THE BONDS – Payment of Interest on the Bonds Prior to Completion of the Facilities."

### **Limited Obligations**

**THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, FOR AND ON BEHALF OF THE DISTRICT, AND ARE PAYABLE FROM AND SECURED BY A PLEDGE OF (A) THE SPECIAL TAXES, (B) THE TAX INCREMENT REVENUES, AND (C) MONEYS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT. THE OBLIGATION OF THE CITY, ACTING FOR AND ON BEHALF OF THE DISTRICT, TO MAKE PAYMENTS WITH RESPECT TO THE BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY OR THE AGENCY, RESPECTIVELY, FOR WHICH THE CITY OR THE AGENCY, AS APPLICABLE, IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE AGENCY, AS APPLICABLE, HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, OTHER THAN THE SPECIAL TAXES AND THE TAX INCREMENT REVENUES. THE BONDS ARE NOT A DEBT OF THE CITY, THE AGENCY, THE DISTRICT, OR THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE CITY, TO THE LIMITED EXTENT SET FORTH IN THE FISCAL AGENT AGREEMENT), AND NONE OF THE CITY, THE AGENCY, THE DISTRICT, OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE WITH RESPECT TO THE BONDS (OTHER THAN THE CITY, TO THE LIMITED EXTENT SET FORTH IN THE FISCAL AGENT AGREEMENT), NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES AND ASSETS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT.**

### **Continuing Disclosure**

The City, for itself and on behalf of the District, and the Agency will each covenant in a Continuing Disclosure Agreement, the form of which is set forth in Appendix H, for the benefit of the Owners, to provide an annual report (each, an "Annual Report") containing certain financial information and operating data relating to the District, the Agency, and the Bonds for each Fiscal Year. The specific nature of the information to be contained in the Annual Reports and certain other terms of this continuing disclosure obligation are summarized in "APPENDIX H – Form of Continuing Disclosure Agreement (City/Agency Form)." See "CONTINUING DISCLOSURE – Continuing Disclosure by the City and Agency."

The Developer will covenant in a Continuing Disclosure Agreement, the form of which is set forth in Appendix H, for the benefit of the Owners, to provide semi-annual reports containing certain

financial information and operating data, as well as the status of the Facilities and the Development, for the applicable reporting period. The specific nature of the information to be contained in the semi-annual reports of the Developer, and certain other terms of its continuing disclosure obligations, are summarized in “APPENDIX H – Form of Continuing Disclosure Agreement (Developer Form).” See also “CONTINUING DISCLOSURE – Continuing Disclosure by the Developer.”

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See also “RISK FACTORS.”

### **Miscellaneous**

This Official Statement contains brief descriptions of, among other things, the City, the Agency, the District, the Law, the Bonds, the Fiscal Agent Agreement, the Rate and Method of Apportionment, the Appraisal, the Development Agreement, the Acquisition Agreement, the OPA, the Note, and the Continuing Disclosure Agreements (as such terms are defined herein). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to any documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Fiscal Agent Agreement. Copies of the forms of the Fiscal Agent Agreement and the other documents described in this Official Statement may be obtained from the Fiscal Agent or the City.

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## ESTIMATED SOURCES AND USES OF PROCEEDS

The sources and application of funds in connection with the sale of the Bonds are estimated as follows:

### *Estimated Sources of Funds:*

Principal Amount of Bonds	\$6,155,000.00
Less: Underwriter's Discount	(169,701.25)
Plus: Developer Contribution <sup>(1)</sup>	<u>121,632.00</u>
<b>Total</b>	<b>\$6,106,930.75</b>

### *Estimated Uses of Funds:*

Deposit to Reserve Fund <sup>(2)</sup>	\$ 55,958.00
Deposit to Capitalized Interest Account of the Bond Fund <sup>(3)</sup>	121,632.00
Deposit to the Costs of Issuance Fund <sup>(4)</sup>	339,878.75
Transfer to the City for Deposit to Administrative Expense Fund <sup>(5)</sup>	50,000.00
Deposit to Escrow Fund	<u>5,539,462.00</u>
<b>Total</b>	<b>\$6,106,930.75</b>

- (1) Developer Contribution to be deposited into the Capitalized Interest Account. See "SECURITY FOR THE BONDS – Payment of Interest on the Bonds prior to Completion of the Facilities."
- (2) An amount equal to the initial Reserve Requirement as of the date the Bonds are sold. See "SECURITY FOR THE BONDS – Reserve Fund."
- (3) Represents an amount that when added to anticipated interest earnings on the Escrow Fund will be sufficient to pay interest on the Bonds through December 1, 2008. See "SECURITY FOR THE BONDS – Payment of Interest on the Bonds prior to Completion of the Facilities."
- (4) Amounts in the Costs of Issuance Fund will be used to pay certain costs associated with the issuance of the Bonds, including fees paid for the Appraisal, Special Tax Consultant fees, Financial Advisor fees, Fiscal Consultant fees, Fiscal Agent fees, Bond Counsel fees, Developer's Counsel fees, printing costs, and other costs of issuance.
- (5) The Administrative Expense Fund is established under the Fiscal Agent Agreement, but will be held and administered by the City, and is not pledged as security for the Bonds.

## THE BONDS

### General Provisions

The Bonds are authorized to be issued pursuant to the Law and are being issued pursuant to the Authorizing Resolution and the Fiscal Agent Agreement. The Bonds will be issued in fully-registered form without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "APPENDIX I – Book-Entry-Only System."

The Bonds will be issued in denominations of \$5,000 each or any integral multiple thereof. Principal of the Bonds will be payable on December 1 in the years and in the principal amounts set forth on the cover page hereof. The Bonds shall bear interest at the rates set forth on the cover page hereof (computed on the basis of a 360-day year consisting of twelve 30-day months) and interest will be payable semiannually on June 1 and December 1, commencing June 1, 2006 (each, an "Interest Payment Date"). Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month next preceding the month of such Interest Payment Date, whether or not such day is a Business Day ("Record Date"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of the Bond; provided, however, that if, at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be payable by check of the Fiscal Agent, mailed on the Interest Payment Dates to the registered Owner thereof at the address of such Bondowner shown on the Bond registration books maintained by the Fiscal Agent, or by wire transfer at the written request of any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more. Principal of and any premium on the Bonds are payable upon surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California. While the Bonds are held in DTC book-entry form, all such payments will be made to Cede & Co., as nominee of DTC, or such nominee as DTC shall appoint in writing, as the Owner of the Bonds for subsequent transmittal to the Beneficial Owners (as defined in Appendix I). See "APPENDIX I – Book-Entry-Only System."

## Redemption Provisions

**Optional Redemption.** The Bonds are subject to optional redemption prior to their stated maturity from moneys available from any source, other than from (a) Special Tax Prepayments and corresponding transfers from the Reserve Fund or (b) transfers from the Escrow Fund, but including prepayments by the Agency under the Note, on any Interest Payment Date occurring on or after June 1, 2008, as a whole, or in part among maturities so as to maintain substantially level debt service on the Bonds and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Any Interest Payment Date from June 1, 2008, to and including June 1, 2014	103%
December 1, 2014, and June 1, 2015	102
December 1, 2015, and June 1, 2016	101
December 1, 2016, and any Interest Payment Date thereafter	100

**Mandatory Sinking Fund Redemption.** The Bonds maturing on December 1, 2023 are subject to mandatory sinking payment redemption in part on December 1, 2020, and on each December 1, thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

<u>Mandatory Redemption Dates</u> <u>(December 1)</u>	<u>Sinking Fund</u> <u>Payments</u>
2020	\$485,000
2021	510,000
2022	535,000
2023 (maturity)	565,000

The amounts in the foregoing table shall be reduced to the extent practicable so as to maintain level debt service on the Bonds, as a result of any prior partial redemption of the Bonds pursuant to the Fiscal Agent Agreement.

**Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Fiscal Agent Agreement shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can be timely given under the Fiscal Agent Agreement, by lot within a maturity and allocated among maturities of the Bonds so as to maintain substantially level debt service on the Bonds, at a redemption price (expressed as a percentage of the

principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

**Redemption Dates**

**Redemption Prices**

Any Interest Payment Date from June 1, 2008, to and including June 1, 2014	103%
December 1, 2014, and June 1, 2015	102
December 1, 2015, and June 1, 2016	101
December 1, 2016, and any Interest Payment Date thereafter	100

***Mandatory Redemption From Escrow Fund Transfer.*** The Bonds are subject to a one-time mandatory redemption on the earlier of (i) the next Interest Payment Date for which notice of redemption can timely be given following the release of amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement, or (ii) June 1, 2008 (or such later date as may be permitted under the Fiscal Agent Agreement), in part among maturities so as to maintain substantially level debt service on the Bonds and by lot within a maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from amounts transferred from the Escrow Fund to the Bond Fund pursuant to the Fiscal Agent Agreement.

***Purchase In Lieu of Redemption.*** In lieu of redemption described above, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

***Redemption Procedure by Fiscal Agent.*** The Fiscal Agent shall cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories, to one or more Information Services (as such terms are defined in the Fiscal Agent Agreement), and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the principal corporate trust office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the principal corporate trust office of the Fiscal Agent for redemption at the said redemption price (including any interest accrued to the date of redemption), and shall state that further interest on such Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Bonds being redeemed (including any interest accrued to the date of redemption), each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, of the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all

Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the City (which shall specify Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Bonds as in effect prior to such redemption, unless otherwise specified in the Fiscal Agent Agreement), and by lot within a maturity in any manner which the Fiscal Agent deems appropriate.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

**Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price (including any interest accrued to the date of redemption), and no interest shall accrue thereon on or after the redemption date specified in such notice.

### Debt Service for the Bonds

The following table sets forth the annual debt service requirements for the Bonds:

**Table 1**  
**Debt Service Schedule**

<u>Year</u> <u>(December 1)</u>	<u>Principal Due</u> <u>on Bonds</u>	<u>Interest Due</u> <u>on Bonds</u>	<u>Total Debt Service</u> <u>Due on Bonds</u>
2006		\$ 242,228.19 <sup>(1)</sup>	\$ 242,228.19
2007		298,637.50 <sup>(1)</sup>	298,637.50
2008		298,637.50 <sup>(1)</sup>	298,637.50
2009	\$ 295,000	298,637.50	593,637.50
2010	305,000	286,837.50	591,837.50
2011	320,000	274,180.00	594,180.00
2012	335,000	260,420.00	595,420.00
2013	345,000	245,512.50	590,512.50
2014	365,000	229,815.00	594,815.00
2015	380,000	212,842.50	592,842.50
2016	400,000	194,792.50	594,792.50
2017	415,000	175,392.50	590,392.50
2018	440,000	154,850.00	594,850.00
2019	460,000	132,630.00	592,630.00
2020	485,000	108,940.00	593,940.00
2021	510,000	83,720.00	593,720.00
2022	535,000	57,200.00	592,200.00
2023 (maturity)	<u>565,000</u>	<u>29,380.00</u>	<u>594,380.00</u>
Totals	\$6,155,000	\$3,584,653.19	\$9,739,653.19

(1) Interest Payment expected to be made from amounts on deposit in the Capitalized Interest Account, together with earnings on moneys on deposit therein and in the Escrow Fund and the Reserve Fund.

Source: Underwriter.

## **SECURITY FOR THE BONDS**

### **Pledge of Revenues Under Fiscal Agent Agreement**

The Bonds are secured by a first pledge of all the Tax Increment Revenues and Special Tax Revenues (collectively, the "Revenues") and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund, and, until disbursed as provided in the Fiscal Agent Agreement, the Special Tax Fund and the Escrow Fund. The Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are pledged to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

Amounts in the Administrative Expense Fund, the Improvement Fund, and the Costs of Issuance Fund established under the Fiscal Agent Agreement are not pledged to the repayment of the Bonds. The Facilities financed with the proceeds of the Bonds are not in any way pledged to pay debt service on the Bonds. Any proceeds of condemnation or destruction of any portion of the Facilities are not pledged to pay debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

**The obligations of the City under the Fiscal Agent Agreement and the Bonds are limited obligations payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent described herein), the County of Los Angeles (the "County"), or the State, or any political subdivision of the State, is pledged to the payment of the Bonds.**

### **Pledge of Tax Increment Revenues**

***Tax Increment Revenues and the Note.*** Following the completion of the Facilities, as evidenced by the issuance by the City of a certificate of occupancy or temporary certificate of occupancy, the principal of and interest on the Bonds will be payable from Tax Increment Revenues received by the Fiscal Agent as assignee under the Note. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent will first apply Tax Increment Revenues to pay the principal of and interest on the Bonds and the Administrative Expenses of the District prior to notifying the City that a levy of the Special Tax will be necessary to meet the Special Tax Requirement (as defined herein). See "SECURITY FOR THE BONDS – Pledge of Special Taxes."

The Note will be executed pursuant to the terms of the OPA. Tax Increment Revenues, which constitute Pro Rata Payments under the Note, will be pledged to pay the scheduled annual debt service with respect to the Bonds, plus Administrative Expenses related to the Bonds and the District; provided, however, that Tax Increment Revenues shall not exceed Available Net New Tax Increment accruing from and after completion of the Facilities. The Tax Increment Revenues payable under the Note are subordinate to certain other Agency obligations as described herein (the "Senior Agency Obligations"). See "Senior Agency Obligations" below.

All payments by the Agency on the Note received by the Fiscal Agent will be deposited by the Fiscal Agent to the Special Tax Fund; provided, however, that (i) in the event the Bonds are partially redeemed from amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall, from and after any such redemption, promptly remit to the Developer or its written assignee a portion of all payments made on the Note to the Fiscal Agent with respect to the originally scheduled debt service on the Bonds equal to a fraction, the numerator of which is equal to the principal amount of the Bonds so redeemed and the denominator of which is the principal amount of the Bonds outstanding

immediately prior to such redemption, and (ii) the Fiscal Agent shall promptly remit to the Developer or its written assignee any portion of any payment received by it under the Note that the Agency has identified to the Fiscal Agent in writing as constituting a Shortfall Payment. The term "Shortfall Payment" is defined in the Note as the difference between the Available Net New Tax Increment and the scheduled annual debt service on the Bonds and Administrative Expenses related to the Bonds and the District, in the event that such Available Net New Tax Increment is less than such scheduled annual debt service on the Bonds and Administrative Expenses related to the Bonds and the District due from time to time. See "APPENDIX F – Fiscal Consultant's Report."

Upon the earlier of (i) payment in full of the Bonds, or (ii) legal defeasance of the Bonds pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall (a) if such payment in full or legal defeasance occurs prior to December 1, 2023, endorse over, reassign, and return the Note to the Developer, or (b) if such payment in full or legal defeasance occurs on or after December 1, 2023, endorse over and return the Note to the Agency. In the event that (a) the Bonds are refinanced in a manner such that the obligation to pay Special Taxes is extinguished, (b) a notice of cancellation of the Special Tax lien is recorded against all property in the District, and (c) all Pro Rata Payments and any Shortfall Payments theretofore due and payable under the Note have been paid in full, all obligations of the Agency under the Note shall terminate.

**Senior Agency Obligations.** The Tax Increment Revenues payable under the Note are subordinate to the Senior Agency Obligations. The Senior Agency Obligations include (1) County Administrative Fees, (2) the Housing Set-Aside Amount, (3) ERAF payments, if any, (4) the 1993 Series A Bonds, (5) the Media Center Promissory Notes, and (6) the YES Fund contributions (as such terms are defined below). The Senior Agency Obligations are more particularly described below (see also "APPENDIX F – Fiscal Consultant's Report"):

County Administrative Fees. Senate Bill No. 2557, adopted by the California Legislature in 1990 ("SB 2557"), permits the County to withhold a portion of annual tax revenues for the recovery of County charges related to property tax administration services to cities in an amount equal to the County's property tax administration costs proportionately attributable to such cities (the "County Administrative Fees"). SB 2557, and subsequent legislation under Senate Bill No. 1559, adopted by the California Legislature in 1992, permits counties to charge all jurisdictions, including redevelopment agencies, on a year-to-year basis. The projections of Tax Increment Revenues contained herein assume that the County will continue to charge the Agency for property tax administration and that future charges will continue to be applied in subsequent years at 2% of the gross tax increment revenue. The County Administrative Fees are deducted from tax revenues otherwise payable to the Agency in December of each year.

Low and Moderate Income Housing Set Aside Requirement. Sections 33334.2 and 33334.3 of the Redevelopment Law, constituting Section 33000 *et seq.* of the California Health and Safety Code (the "Redevelopment Law"), require each redevelopment agency to set aside not less than 20% of all tax increment (the "Housing Set-Aside Amount") in a low and moderate income housing fund to be expended for authorized low and moderate income housing purposes. Amounts on deposit in the Low and Moderate Income Housing Fund may also be applied to pay debt service on bonds, loans, or advances used to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the Housing Set-Aside Amount can be reduced or eliminated if the redevelopment agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing, (2) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need, or (3) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, or equivalent impact are being provided for in the community. The Agency has made no such finding

and is, therefore, obligated to make such set-aside. The Agency sets aside amounts for deposit in the Low And Moderate Income Housing Fund in June of each year.

Educational Revenue Augmentation Fund. Senate Bill No. 1045, adopted by the California Legislature in 2003, required redevelopment agencies to shift \$135 million in property tax revenues to K-12 schools and community colleges during the 2003-04 Fiscal Year. The shift of tax increment revenues was placed into the Educational Revenue Augmentation Fund ("ERAF"). Senate Bill No. 1096, adopted by the California Legislature in 2004, required redevelopment agencies to annually shift \$250 million in property tax revenues to K-12 schools and community colleges during the 2004-05 and 2005-06 Fiscal Years, which moneys are also required to be deposited into ERAF. The Agency will be required to allocate the 2005-06 ERAF payment to the County Auditor-Controller on May 10, 2006. The Agency has represented that the City Centre Redevelopment Project Area's ERAF obligation for fiscal year 2005-06 will be fully funded from the West Olive Redevelopment Project Area and, therefore, no ERAF payments were deducted from the Tax Increment Revenue projections contained herein and in the Fiscal Consultant's Report.

1993 Series A Bonds. On September 23, 2003, the Burbank Public Financing Authority issued its Revenue Bonds, 2003 Series C (City Centre Redevelopment Project), in the aggregate principal amount of \$22,015,000 (the "2003 Series C Bonds"), of which \$21,205,000 remains outstanding. The proceeds of the 2003 Series C Bonds were used to purchase, in lieu of redemption, the Agency's outstanding City Centre Redevelopment Project Tax Allocation Bonds, 1993 Series A, previously issued in the aggregate principal amount of \$23,945,000 and currently outstanding in the aggregate principal amount of \$20,650,000 (the "1993 Series A Bonds"). The 1993 Series A Bonds are secured by tax increment generated from the City Centre Redevelopment Project Area, and such 1993 Series A Bonds are currently being held in trust by the trustee for the 2003 Series C Bonds to pay debt service with respect to the 2003 Series C Bonds. Debt service payable with respect to the 1993 Series A Bonds, while senior to Pro Rata Payments under the Note, are not expected to result in a reduction of projected Tax Increment Revenues.

Media Center Promissory Notes. Property tax revenues generated by the Media Center project within the City Centre Redevelopment Project Area currently secure a \$33 million promissory note and an \$18.5 million promissory note (collectively, the "Media Center Promissory Notes") through 2016. Debt service payable with respect to the Media Center Promissory Notes, while senior to Pro Rata Payments under the Note, are not expected to result in a reduction of projected Tax Increment Revenues.

YES Fund Contribution. Pursuant to Resolution No. 23,169, adopted by the City Council on January 15, 1991, the Agency is required to make annual contributions of tax increment generated by the City Centre Redevelopment Project Area to the Youth Endowment Service Fund (the "YES Fund"). Approximately 5% of the growth in assessed valuation of the property within the City Centre Redevelopment Project Area is paid into the YES Fund in June of each year.

***The Tax Increment Site.*** The Tax Increment Site is comprised of approximately four acres located within the Agency's City Centre Redevelopment Project Area and encompasses County Assessor parcel numbers 2453-005-059 and 2453-003-033. The City Centre Redevelopment Project Area is one of three Constituent Project Areas within the Agency's Merged Project Area. The Tax Increment Site includes the site of the Development (*i.e.*, the property within the District) and the Phase One Development. The Phase One Development was completed in 2003 by AMC and includes approximately 35,000 square feet of developed retail space, anchored by an approximately 87,000 square foot, 16-screen, 4,200-seat AMC cinema, and a 250-stall parking structure.

The property within the Tax Increment Site is used primarily for commercial purposes, with some multifamily uses. The assessed value of the property within the Tax Increment Site for fiscal year 2005-06 was approximately \$45,677,000. The incremental assessed value of the Tax Increment Site for fiscal year 2005-06 (*i.e.*, the increase in the assessed value of the Tax Increment Site over the assessed value of such Tax Increment Site in fiscal year 1999-00) was approximately \$34,446,000. For additional information regarding the Agency, the Agency's redevelopment project areas, and how the Agency receives and disburses tax revenues, see "APPENDIX E – The Redevelopment Agency and the Redevelopment Project Areas." See also "APPENDIX F – Fiscal Consultant's Report."

Pursuant to the OPA, the Agency shall not be required to make any Pro Rata Payment from any moneys other than the Net New Tax Increment available to the Agency for such payment. In the event that, at the end of the original term of the Bonds, the Agency has not paid the full amount of the Pro Rata Payments because Available Net New Tax Increment funds have been insufficient to make such Pro Rata Payments, any remaining obligations of the Agency to pay such amounts shall be terminated at such time. Notwithstanding the previous sentence, the Agency's obligations under the OPA and the Note constitute a pledge of tax increment generated within the City Centre Redevelopment Project Area (subject to the completion of the Facilities), and shall be prior and superior to pledges of tax increment generated by the Tax Increment Site made after the date of the Agency's pledge of Pro Rata Payments (which date is August 3, 1999), except as the parties to the OPA agree otherwise. See "APPENDIX E – The Redevelopment Agency and the Redevelopment Project Areas" and "APPENDIX F – The Fiscal Consultant's Report."

***Tax Increment Revenue Projections.*** The following table sets forth the projected Tax Increment Revenues over the life of the Bonds:

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**Table 2**  
**Projection of Tax Increment Revenues <sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Assessed Value <sup>(2)</sup></u>	<u>Added Value from New Development <sup>(3)</sup></u>	<u>Total Assessed Value <sup>(4)</sup></u>	<u>Incremental Value Over Base Fiscal Year <sup>(5)</sup></u>	<u>Gross Tax Incremental Revenue <sup>(6)</sup></u>	<u>Less: Housing Set-Aside Amount <sup>(7)</sup></u>	<u>Less: County Administrative Fees <sup>(8)</sup></u>	<u>YES Fund Contribution <sup>(9)</sup></u>	<u>Projected Tax Increment Revenues <sup>(10)</sup></u>	<u>Debt Service Required for the Bonds</u>	<u>Debt Service Coverage</u>
2005-06	\$45,677,000	\$0	\$45,677,000	\$34,446,000	\$347,000	(\$69,000)	(\$7,000)	(\$17,000)	\$253,000	N/A	N/A
2006-07	46,591,000	10,157,000	56,747,000	45,517,000	458,000	(92,000)	(9,000)	(23,000)	335,000	N/A	N/A
2007-08	57,882,000	0	57,882,000	46,652,000	470,000	(94,000)	(9,000)	(23,000)	343,000	N/A	N/A
2008-09	59,040,000	71,171,000	130,211,000	118,980,000	1,198,000	(240,000)	(24,000)	(60,000)	875,000	\$593,638	1.47
2009-10	132,815,000	0	132,815,000	121,584,000	1,224,000	(245,000)	(24,000)	(61,000)	894,000	591,838	1.51
2010-11	135,471,000	0	135,471,000	124,241,000	1,251,000	(250,000)	(25,000)	(63,000)	913,000	594,180	1.54
2011-12	138,181,000	0	138,181,000	126,950,000	1,278,000	(256,000)	(26,000)	(64,000)	933,000	595,420	1.57
2012-13	140,944,000	0	140,944,000	129,714,000	1,306,000	(261,000)	(26,000)	(65,000)	954,000	590,513	1.62
2013-14	143,763,000	0	143,763,000	132,533,000	1,335,000	(267,000)	(27,000)	(67,000)	974,000	594,815	1.64
2014-15	146,638,000	0	146,638,000	135,408,000	1,364,000	(273,000)	(27,000)	(68,000)	995,000	592,843	1.68
2015-16	149,571,000	0	149,571,000	138,341,000	1,393,000	(279,000)	(28,000)	(70,000)	1,017,000	594,793	1.71
2016-17	152,563,000	0	152,563,000	141,332,000	1,423,000	(285,000)	(28,000)	(71,000)	1,039,000	590,393	1.76
2017-18	155,614,000	0	155,614,000	144,383,000	1,454,000	(291,000)	(29,000)	(73,000)	1,061,000	594,850	1.78
2018-19	158,726,000	0	158,726,000	147,496,000	1,485,000	(297,000)	(30,000)	(74,000)	1,084,000	592,630	1.83
2019-20	161,901,000	0	161,901,000	150,670,000	1,517,000	(303,000)	(30,000)	(76,000)	1,108,000	593,940	1.87
2020-21	165,139,000	0	165,139,000	153,908,000	1,550,000	(310,000)	(31,000)	(77,000)	1,131,000	593,720	1.90
2021-22	168,441,000	0	168,441,000	157,211,000	1,583,000	(317,000)	(32,000)	(79,000)	1,156,000	592,200	1.95
2022-23	171,819,000	0	171,819,000	160,580,000	1,617,000	(323,000)	(32,000)	(81,000)	1,180,000	594,380	1.99
2023-24	175,751,000	0	175,246,000	164,016,000	1,652,000	(330,000)	(33,000)	(83,000)	1,206,000	0	--

(1) "Tax Increment Revenues" is a defined term. See "INTRODUCTION – Payment of Bonds from Tax Increment Revenues."

(2) Fiscal Year 2005-06 assessed value as reported by the Los Angeles County Auditor Controller; commencing in Fiscal Year 2006-07, assessed value assumed to increase by 2% per year.

(3) Estimated value added by Development and Phase One Development.

(4) Based upon the County's current allocation schedule, no tax increment would be paid after the October 26, 2024, tax increment receipt limit date (as extended).

(5) Assessed Value of Tax Increment Site property in Fiscal Year 1999-00 was \$11,231,000.

(6) An assumed tax rate of 1.007% has been employed, based upon the actual Fiscal Year 2004-05 tax rate.

(7) The Housing Set-Aside Amount represents approximately 20% of the gross tax incremental revenue for the Tax Increment Site.

(8) The County Administrative Fees represent approximately 2% of the gross tax incremental revenue for the Tax Increment Site.

(9) The YES Fund contribution represents approximately 5% of the gross tax incremental revenue for the Tax Increment Site.

(10) Debt service payable with respect to the 1993 Series A Bonds and the Media Center Promissory Notes, while senior to Pro Rata Payments under the Note, is not expected to result in a reduction of projected Tax Increment Revenues.

Source: Keyser Marston Associations, Inc.

The availability of Tax Increment Revenues is subject to senior obligations of the Agency secured by liens against the tax increment generated by the property in the City Centre Redevelopment Project Area, including the Senior Agency Obligations. In addition, the procedures employed by the County with respect to assessment and levy of property taxes on property within the Tax Increment Site are subject to change in accordance with policy revisions or legislative mandate. While the Agency believes the estimates in the foregoing table to be reasonable, taxable values resulting from actual appraisals may vary from the amounts contained therein. Consequently, the Agency can give no assurances as to the certainty of the projected Tax Increment Revenues shown in the foregoing table. Actual revenues may be higher or lower than projected and are subject to, among other factors, (i) changes in the valuation of property within the Tax Increment Site resulting from new development or destruction of existing development in and around the Tax Increment Site, (ii) the resolution of outstanding appeals or the filing of future appeals with respect to the property tax levied on property within the Tax Increment Site, or (iii) the non-payment of property taxes levied on property within the Tax Increment Site when due. See "RISK FACTORS – Levy and Collection of Taxes." See also "APPENDIX F – Fiscal Consultant's Report."

### **Pledge of Special Taxes**

Payment of the principal of and interest on the Bonds, and payment of any amounts required to replenish the balance in the Reserve Fund to the Reserve Requirement, are also secured by the Special Tax levies, if required, to be collected within the District and moneys, including portions of the interest earned thereon, held in certain funds established under the Fiscal Agent Agreement. The City has covenanted to comply with all requirements of the Law and the Fiscal Agent Agreement to assure the timely collection of Special Taxes, including, without limitation, the enforcement of delinquent Special Taxes.

The City has acknowledged in the Fiscal Agent Agreement that it is expected that the Tax Increment Revenues, amounts on deposit in the Capitalized Interest Account (including the earnings thereon), and the earnings on amounts in the Escrow Fund and the Reserve Fund will be sufficient to pay the scheduled debt service on the Bonds. Nevertheless, on the forty-fifth day prior to each Interest Payment Date that occurs following the release of amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement (and after any transfers of investment earnings from the Reserve Fund pursuant to the Fiscal Agent Agreement to the Bond Fund to occur on each such forty-fifth day prior to the respective Interest Payment Date), the Fiscal Agent shall determine the difference between the amount then available in the Bond Fund and the Special Tax Fund to pay debt service due on the Bonds on the next succeeding Interest Payment Date and the debt service so due and payable. In the event of a shortfall in amounts needed to pay the scheduled debt service on any such Interest Payment Date, the Fiscal Agent shall inform the City in writing of the amount of such shortfall and the City shall, on or before the thirtieth day prior to such Interest Payment Date, send a Special Tax bill to each of the applicable landowners in the District, allocating a portion of the amount of the shortfall to each taxable parcel in the District according to the Rate and Method of Apportionment. The Special Tax bills shall provide that (a) any amount so billed is due and payable on the date which is three Business Days prior to the respective Interest Payment Date, (b) that payment shall be made directly to the Fiscal Agent (and the Fiscal Agent shall deposit any amount so received to the Special Tax Fund), and (c) that penalties and interest will accrue on any amount to paid by the due date. The Fiscal Agent shall provide written notice to the City of any amounts received by it as a payment by a property owner of Special Taxes. The City may also send Special Tax bills from time to time to the property owners in the District, in accordance with the Rate and Method of Apportionment, in order to pay Administrative Expenses if amounts in the Administrative Expense Fund are insufficient for such purposes, or may include amounts for such purpose in the Special Tax bills, if any, sent to the landowners in the District pursuant to the foregoing provisions of this paragraph.

The City has covenanted in the Fiscal Agent Agreement to compare, on or about June 2 and December 2 of each Fiscal Year, the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City and, under certain circumstances, to initiate judicial foreclosure proceedings in the event of the discovery of delinquent payments of Special Taxes following such annual reconciliations. See “-- Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes” below.

**It is expected that there will be only one owner of land in the District that is subject to the Special Tax levy. The Special Taxes, if required, will be levied against the taxable property within the District; they do not constitute a personal indebtedness of the applicable property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such Special Taxes even if financially able to do so. See “RISK FACTORS – Payment and Collection of Special Taxes.”**

### **Rate and Method of Apportionment of Special Tax**

Pursuant to the Law, when a community facilities district is formed, a special tax may be levied on each parcel of taxable property within the district to pay for the construction, acquisition, and rehabilitation of public facilities, to pay for authorized services, or to repay bonded indebtedness or other related expenses incurred by the district. The Rate and Method of Apportionment establishes several classifications for property subject to the Special Tax levy. The Special Tax levied on a parcel of Non-Residential Property (as defined in the Rate and Method of Apportionment) is based on the amount of Floor Area (as defined in the Rate and Method of Apportionment) located on that parcel, while the Special Tax levied on a parcel of Undeveloped Property or Other Taxable Property (as such terms are defined in the Rate and Method of Apportionment) is based on the acreage of that parcel. Other Taxable Property includes Taxable Residential Property (which is not expected to include the Residential Component), Taxable Parking Property, Public Property, or Property Owner Association Property, as such terms are defined in the Rate and Method of Apportionment. See “APPENDIX C – Rate and Method of Apportionment of Special Tax.” See also “THE DEVELOPER AND THE DEVELOPMENT – Description of the Development.”

Pursuant to the Rate and Method of Apportionment, the “Maximum Special Tax” for Non-Residential Property in the District is the greater of (i) the Assigned Special Tax or (ii) the Backup Special Tax. The “Assigned Special Tax” for Non-Residential property in the District for Fiscal Year 2005-06 is \$19.131 per square foot of Floor Area, and is subject to an increase every July 1, commencing July 1, 2006, of two percent (2%) of the amount in effect for the previous Fiscal Year. The “Backup Special Tax” for Non-Residential Property for Fiscal Year 2005-06 is \$748,030, and is subject to an increase every July 1, commencing July 1, 2006, of two percent (2%) of the amount in effect for the previous Fiscal Year. The Backup Special Tax is calculated for each parcel of Non-Residential Property at the time a building permit is issued for such parcel as the Backup Special Tax for all of the District multiplied by the quotient of the Floor Area of such parcel divided by the Floor Area of all parcels of Non-Residential Property in existence at such time.

Each Fiscal Year, all taxable property within the District will be classified as Non-Residential Property, Undeveloped Property, or Other Taxable Property, and will be subject to Special Taxes in accordance with the Rate and Method of Apportionment. Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the City will determine or cause to be determined the Special Tax Requirement and will levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. Each Fiscal Year the Special Tax will be levied proportionately on each parcel within the District up to one hundred percent (100%) of the Maximum Special Tax.

The term “Special Tax Requirement” is defined in the Rate and Method of Apportionment as the amount required in any Fiscal Year to (i) pay debt service with respect to all outstanding Bonds, (ii) pay

periodic costs associated with the Bonds, including, but not limited to, credit enhancement and any required rebate to the United States government, (iii) pay Administrative Expenses, (iv) pay any amounts required to establish or replenish any reserve funds for all outstanding Bonds (including the Reserve Fund), (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year, less (vi) a credit for funds available to reduce the annual Special Tax levy (including any Tax Increment Revenues), whether through the OPA or otherwise, as determined by the City in accordance with the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Pledge of Revenues Under Fiscal Agent Agreement," "– Pledge of Tax Increment Revenues," and "– Pledge of Special Taxes," and "APPENDIX C – Rate and Method of Apportionment of Special Tax."

### **Special Tax Fund**

The Special Tax Revenues, which are comprised of the proceeds of the Special Taxes received by the City, including any scheduled payments and prepayments thereof, interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien thereof to the amount of said lien and interest thereon, but which do not include any penalties collected in connection with any delinquent Special Taxes, will be deposited by the City into the Special Tax Fund and applied in accordance with the Fiscal Agent Agreement. In addition, the Fiscal Agent will also deposit into the Special Tax Fund (i) the Tax Increment Revenues and (ii) any other amounts required by the Fiscal Agent Agreement to be deposited therein. Notwithstanding the foregoing, (i) any Revenues constituting payment of Administrative Expenses shall be transferred to the City for deposit into the Administrative Expense Fund established under the Fiscal Agent Agreement (and the Fiscal Agent shall remit to the City for such purpose any Special Taxes received by the Fiscal Agent pursuant to a billing to property owners in the District pursuant to the Fiscal Agent Agreement, to the extent the City advises the Fiscal Agent of the portion of the amounts so billed that are to be used to pay Administrative Expenses), (ii) any proceeds of Special Tax Prepayments shall be transferred by the City to the Fiscal Agent for deposit by the Fiscal Agent (as specified in writing by the City to the Fiscal Agent) directly in the Special Tax Prepayments Account established under the Fiscal Agent Agreement, and (iii) the portion of the Tax Increment Revenues, if any, to be paid to or upon the order of the Developer, including any Shortfall Payments, pursuant to the Fiscal Agent Agreement shall be remitted by the Fiscal Agent to the applicable party pursuant to the Fiscal Agent Agreement.

On the Business Day prior to each Interest Payment Date (as defined herein), the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund (a) prior to the date on which amounts are released from the Escrow Fund pursuant to the Fiscal Agent Agreement, all amounts then on deposit in the Special Tax Fund and (b) thereafter, an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from other funds and accounts to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

### **Reserve Fund**

In order to further secure the payment of principal of, and interest and any premium on, the Bonds, the Fiscal Agent Agreement provides that, from the proceeds of the sale of the Bonds, an amount will be deposited into the Reserve Fund equal to the Reserve Requirement. The term "Reserve Requirement" is defined in the Fiscal Agent Agreement to mean, (A) as of any date of calculation prior to the date on which funds are transferred from the Escrow Fund pursuant to the Fiscal Agent Agreement, \$55,958.00, and (B) as of any date of calculation thereafter, an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual

Debt Service, or (iii) ten percent (10%) of the then outstanding principal amount of the Bonds. The term "Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any outstanding Bonds. The term "Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the outstanding Bonds in such Bond Year, assuming that the outstanding Bonds are retired as scheduled (including by reason of mandatory sinking payments), and (ii) the principal amount of the outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or for the purpose of redeeming Bonds from the Bond Fund, all in accordance with the Fiscal Agent Agreement. See "APPENDIX A – Summary of Certain Provisions of the Fiscal Agent Agreement."

The Fiscal Agent shall transfer from the Reserve Fund to the Bond Fund the amount, if any, in the Reserve Fund that is in excess of the amount of the then Reserve Requirement (i) on the Business Day prior to each Interest Payment Date that occurs prior to the transfer of amounts in the Escrow Fund to the Reserve Fund, the Improvement Fund, and, if applicable, the Bond Fund pursuant to the Fiscal Agent Agreement, (ii) on the forty-fifth day prior to each Interest Payment Date that occurs following a transfer from the Escrow Fund pursuant to the Fiscal Agent Agreement, and (iii) on any other date at the written request of the City, with any amount so transferred from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, such balance will be transferred to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Fiscal Agent Agreement, as applicable, of all of the outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City to be used for any lawful purpose of the City. Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund as described herein until after (i) the calculation of any amounts due to the federal government pursuant to the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed, and the original principal of the Bonds) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Fiscal Agent Agreement.

Amounts in the Reserve Fund may at any time be used, at the written direction of an authorized officer of the City, for the purposes of paying any rebate liability under the Fiscal Agent Agreement.

### **Escrow Fund**

Pursuant to the Fiscal Agent Agreement, a portion of the proceeds from the sale of the Bonds in an amount equal to \$5,539,462.00 will be deposited in the Escrow Fund, to be established and held by the Fiscal Agent. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall disburse amounts from the Escrow Fund to the Reserve Fund, the Improvement Fund, and, if applicable, the Bond Fund, upon

receipt of a certification from the City stating (i) the portion, if any, of the amount on deposit in the Escrow Fund to be used to redeem Bonds pursuant to the Fiscal Agent Agreement, which shall be an integral multiple of \$5,000, and (ii) that, taking into account any such redemption, the Release Requirements have been met. Upon receipt of such certification, the Fiscal Agent shall disburse the amount in the Escrow Fund as follows: (i) to the Bond Fund the amount, if any, described in the preceding clause (i), to be used to redeem Bonds on the next Interest Payment Date pursuant to the Fiscal Agent Agreement, (ii) to the Reserve Fund the amount necessary such that the amounts on deposit in the Reserve Fund is equal to the Reserve Requirement in effect following such release, and (iii) to the Improvement Fund, the balance of the amount on deposit in the Escrow Fund.

The term "Release Requirements" is defined in the Fiscal Agent Agreement as, collectively, (i) the completion of the Facilities, as evidenced by the issuance by the City of a certificate of occupancy or temporary certificate of occupancy with respect to the Facilities, and (ii) the District Value is at least three times the amount of the Debt Obligations.

The term "District Value" is defined in the Fiscal Agent Agreement as the market value, as of the date of value in the appraisal described below or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal that has a valuation date that is within the preceding three (3) months by an MAI appraiser selected by the City, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director of the City. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any appraiser pursuant to this definition.

The term "Debt Obligations" is defined in the Fiscal Agent Agreement as, collectively, (i) an amount equal to the principal amount of the Bonds then outstanding, less the principal amount of any Bonds to be redeemed from amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement, plus (ii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recently available Fiscal Year.

On and after April 15, 2008 (the "Initial Escrow Close Date"), the Fiscal Agent shall make no further disbursements from the Escrow Fund pursuant to the Fiscal Agent Agreement and on June 1, 2008 (the "Initial Escrow Redemption Date"), the Fiscal Agent shall transfer all amounts on deposit in the Escrow Fund to the Bond Fund, to be applied to the redemption of Bonds on the Initial Escrow Redemption Date, as provided in the Fiscal Agent Agreement.

Notwithstanding the foregoing, the Initial Escrow Close Date (and any Revised Escrow Close Date, as defined below and as established pursuant to the Fiscal Agent Agreement) and the Initial Escrow Redemption Date (and any Revised Escrow Redemption Date, as defined below and as established pursuant to the Fiscal Agent Agreement) may be extended from time to time upon receipt by the Fiscal

Agent, not later than one Business Day prior to the Initial Escrow Close Date (or, if extended as described in this paragraph, the then applicable Revised Escrow Close Date), of:

(i) a certificate from the City requesting such extension and stating (a) the new date after which amounts in the Escrow Fund will no longer be subject to disbursement pursuant to the Fiscal Agent Agreement (the "Revised Escrow Close Date"), which date shall be at least 45 days but not more than 90 days prior to the date such amounts are to be used to redeem Bonds as described in the following clause (b), and (b) the new date on which Bonds are to be subject to mandatory redemption from the amounts transferred from the Escrow Fund to the Bond Fund pursuant to the Fiscal Agent Agreement (the "Revised Escrow Redemption Date"), which date shall be an Interest Payment Date;

(ii) if the Revised Escrow Redemption Date is to be later than December 1, 2008, an opinion of Bond Counsel to the effect that the establishment of such new dates of transfer and redemption will not, in itself, impair any exclusion from gross income of interest on the Bonds for federal income tax purposes then in effect;

(iii) cash (which cash shall immediately be deposited by the Fiscal Agent in the Capitalized Interest Account) in an amount determined in writing by an Independent Financial Consultant, together with expected investment earnings thereon and on the amounts in the Escrow Fund (without regard to any disbursement from the Escrow Fund pursuant to the Fiscal Agent Agreement) at the rate of return on the Permitted Investment described in (iv) below, to be sufficient (together with amounts on hand in the Capitalized Interest Account, if any, not needed to pay interest on the Bonds on or prior to the Initial Escrow Close Date or, if applicable, the most recently established Revised Escrow Close Date), to pay interest and any scheduled principal due on the Bonds during the period from the Initial Escrow Close Date (or, if applicable, the most recently established Revised Escrow Close Date) to the then proposed Revised Escrow Redemption Date, accompanied by (a) such written determination by the Independent Financial Consultant, and (b) an opinion of counsel to the effect that such cash is not subject to recovery upon the commencement of bankruptcy proceedings with respect to any landowner within the District or any party related thereto or any guarantor of the obligations of any such landowner; and

(iv) a Permitted Investment or Permitted Investments which provides for the investment of amounts deposited thereunder from the Initial Escrow Close Date (or the most recent Revised Escrow Close Date, if applicable) to the then proposed Revised Escrow Redemption Date, for amounts in the Escrow Fund, and for the amount of cash referred to in the preceding clause (iii) to be deposited in the Capitalized Interest Account, which Permitted Investment or Permitted Investments will provide a fixed rate of return equal to or better than that assumed by the Independent Financial Consultant in its determination pursuant to the preceding clause (iii) above.

On or after any Revised Escrow Close Date (unless such date is further extended as permitted by the Fiscal Agent Agreement), the Fiscal Agent shall make no further disbursements from the Escrow Fund pursuant to the Fiscal Agent Agreement and, on such Revised Escrow Redemption Date the Fiscal Agent shall transfer all amounts on deposit in the Escrow Fund to the Bond Fund, to be applied to the redemption of Bonds on the Revised Escrow Redemption Date as provided in the Fiscal Agent Agreement. The Escrow Fund shall be closed when no funds remain therein.

#### **Payment of Interest on the Bonds Prior to Completion of the Facilities**

Prior to the completion of the Facilities, interest on the Bonds will be paid from (1) investment earnings on moneys deposited in the Escrow Fund and the Reserve Fund and (2) the Developer

Contribution held by the Fiscal Agent in the Capitalized Interest Account, together with any investment earnings on amounts on deposit in the Capitalized Interest Account. Moneys on deposit in the Escrow Fund, as well as moneys that comprise the Developer Contribution, are expected to be invested in the Investment Agreement, which satisfies the requirements for a Permitted Investment. See "THE INVESTMENT AGREEMENT PROVIDER."

The Developer Contribution will be in an amount that, when combined with the estimated investment earnings on the amounts in the Escrow Fund, will be sufficient to pay interest on the Bonds through December 1, 2008. See "ESTIMATED SOURCES AND USES OF PROCEEDS."

### **Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes**

Pursuant to the Law, the City has covenanted with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraphs. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such a judicial foreclosure sale is not mandatory under the Law. However, pursuant to the Fiscal Agent Agreement, the City has covenanted for the benefit of the Bondowners to do the following:

On or about June 2 and December 2 of each Fiscal Year, the City shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City, and, if the City determines that any parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes, then the City shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the City may defer such action if the amount in the Reserve Fund is at least to the Reserve Requirement.

### **THE INVESTMENT AGREEMENT PROVIDER**

*The information in this section concerning IXISFC and its affiliates has been obtained from sources that the City and the District believe to be reliable, but neither the City nor the District takes any responsibility for the accuracy thereof.*

IXIS Funding Corp., a New York corporation ("IXISFC"), is a wholly-owned subsidiary of IXIS Capital Markets North America Inc. ("IXIS Capital Markets"), which is a subsidiary of IXIS Corporate & Investment Bank ("IXIS CIB"), a limited liability company with executive and supervisory boards (société anonyme à Directoire et Conseil de Surveillance) governed by French law (as successor-in-interest to CDC Finance – CDC IXIS) (the "Guarantor"). IXISFC is a subsidiary of the Guarantor. IXISFC changed its name from CDC Funding Corp. in November 2004.

The obligations of IXISFC under the Investment Agreement are guaranteed by IXIS CIB. IXISFC has long-term debt ratings from Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and Moody's Investors Service ("Moody's") of AAA and Aaa, respectively, and short-term debt ratings from Standard & Poor's and Moody's of A-1+ and P-1, respectively, with respect to its obligations that are entered into on or before January 23, 2007, with a scheduled maturity date on or before January 23, 2017, based upon a guarantee of its obligations by IXIS CIB with recourse to Caisse des Dépôts et Consignations (as described below). IXISFC has long-term debt ratings from Standard & Poor's and Moody's of AA and Aa2, respectively, with respect to its obligations that are entered into either (i) on or before January 23, 2007, with a scheduled maturity date

after January 23, 2017, or (ii) after January 23, 2007, regardless of the scheduled maturity date, based upon a guarantee of its obligations by IXIS CIB with no recourse to Caisse des Dépôts et Consignations. IXIS CIB has long-term debt ratings from Standard & Poor's, Moody's, and Fitch Ratings ("Fitch") of AAA, Aaa, and AAA, respectively, and short-term debt ratings from Standard & Poor's, Moody's, and Fitch of A-1+, P-1, and F1+, respectively, with respect to its obligations that have recourse to Caisse des Dépôts et Consignations. IXIS CIB has long-term debt ratings from Standard & Poor's, Moody's, and Fitch of AA, Aa2, and AA, respectively, with respect to its obligations that do not have recourse to Caisse des Dépôts et Consignations. IXIS CIB changed its name from CDC IXIS Capital Markets in November 2004.

IXIS CIB is a subsidiary of Caisse Nationale des Caisses d'Epargne et de Prévoyance ("CNCEP"), a French bank organized as a société anonyme à directoire et conseil de surveillance. CNCEP is a credit institution, licensed as a bank.

Caisse des Dépôts et Consignations is a special national legislative public entity of the Republic of France which operates under the supervision of an independent supervisory board composed of representatives of the French Parliament, magistrates, the director of the French Treasury, and the Governor of Banque de France, the French central bank.

IXIS Capital Markets will provide without charge a copy of the most recent publicly available annual report of IXIS Capital Markets, IXIS CIB, CNCEP, and Caisse des Dépôts et Consignations. Written requests should be directed to David L. Askren, Corporate Secretary, IXIS Capital Markets North America Inc., 9 West 57th Street, New York, New York 10019; telephone (212) 891-6152.

IXISFC has not participated in the preparation of this offering document and has not reviewed and is not responsible for any information contained herein, other than the information contained in the immediately preceding five paragraphs.

## **THE CITY**

The City is located approximately 12 miles northeast of downtown Los Angeles in the southeast section of the San Fernando Valley. The City was incorporated as a general law city on July 8, 1911, and adopted its city charter on January 13, 1927. The City's population as of January 1, 2005, was 106,739. The City provides its residents with electric, water, sewer, and refuse collection utilities, and operates its own police and fire departments. See "APPENDIX G – General and Economic Information Regarding the City of Burbank."

## **THE AGENCY**

The Agency was activated as a redevelopment agency by the City Council in 1970 pursuant to Ordinance No. 2269, adopted by the City Council in accordance with the Redevelopment Law. The members of the City Council serve as the governing body of the Agency and exercise all rights, powers, duties, and privileges of the Agency. The Mayor serves as Chair of the Agency. All powers of the Agency are vested in its members. Under the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop, and sell or lease property, including the right to acquire property through the power of eminent domain, and the right to issue bonds and expend the proceeds. The Agency itself does not have the power to levy taxes. See "APPENDIX E – The Redevelopment Agency and the Redevelopment Project Areas."

## **THE DISTRICT**

### **General Information Regarding the District**

On October 25, 2005, the City Council adopted a resolution forming the District pursuant to the Law for the purpose of financing various public improvements in support of development in the District. Pursuant to a special election, qualified voters approved the levy of the Special Taxes in accordance with the Rate and Method of Apportionment to secure the payment of principal of and interest on the Bonds. See "APPENDIX C – Rate and Method of Apportionment of Special Tax."

The District is comprised of approximately 1.92 acres of land located in the City. Upon completion of the Development, the District is expected to include approximately 40,000 square feet of taxable Floor Area, which will be comprised of property developed for commercial use only and will not include any property that includes storage space and residential development. See "FACILITIES TO BE FINANCED WITH BOND PROCEEDS," "THE DEVELOPER AND THE DEVELOPMENT," "APPENDIX C – Rate and Method of Apportionment of Special Tax," and "APPENDIX J – Boundary Map of the District."

### **Ownership of District Property**

The property that comprises the District is currently owned by Burbank Entertainment Village. Burbank Entertainment Village has entered into that certain Purchase Contract, dated as of June 17, 2003, as amended by that certain First Amendment to Purchase Contract, dated as of April 27, 2004, as further amended by that certain Second Amendment to Purchase Contract, dated as of May 28, 2004, as further amended by that certain Third Amendment to Purchase Contract, dated as of December 2, 2004, as further amended by that certain Fourth Amendment to Purchase Contract, dated as of September 16, 2005, as further amended by certain letter agreements (collectively, the "Original Purchase and Sale Agreement"), each by and among Burbank Entertainment Village, Champion, and AMC. Champion has assigned its rights and obligations under the Original Purchase and Sale Agreement to the Developer, and the Developer has assumed such rights and obligations, pursuant to that certain Assignment and Assumption Agreement, dated as of November 28, 2005, by and between Champion and the Developer (the "Purchase and Sale Assignment Agreement"). Pursuant to the Original Purchase and Sale Agreement, as modified by the Purchase and Sale Assignment Agreement, Burbank Entertainment Village has agreed to sell the District property to the Developer pursuant to the terms set forth therein, which sale is a condition to the sale and delivery of the Bonds. See "THE DEVELOPER AND THE DEVELOPMENT – The Developer."

### **Appraised Value; Value-to-Lien Ratio**

An appraisal, dated as of July 15, 2005, as supplemented by the updated appraisal report, dated October 20, 2005 (collectively, the "Appraisal"), the text of which is set forth as Appendix D, has been prepared by BTI Appraisal, Los Angeles, California (the "Appraiser"). The Appraisal provides an estimation of value of certain property within the District (the "Appraised Property") and the entitlements thereto. The Appraiser has estimated that, as of October 15, 2005, (i) the value of the portion of the Appraised Property to be allocated to the Commercial Component, which portion shall be subject to the Special Taxes, if levied (the "Appraised Taxable Property"), was \$3,422,000, and (ii) the value of the additional public parking spaces in the Facilities to be owned by the City but to be made available to the Commercial Component (the "Additional Commercial Parking Spaces") was \$500,000. The foregoing estimates of value were made on the basis of the assumptions and limiting conditions contained in the Appraisal. See "APPENDIX D – Appraisal." See also "RISK FACTORS – Property Values."

The principal of the Bonds is \$6,155,000. Upon the issuance of the Bonds, \$5,539,462.00 of the proceeds thereof will be deposited into the Escrow Fund. (See "ESTIMATED SOURCES AND USES

OF PROCEEDS.”) The ratio of the appraised value of the Appraised Taxable Property and the Additional Commercial Parking Spaces to the portion of the principal of the Bonds that will not be deposited into the Escrow Fund at closing and the applicable direct and overlapping debt is approximately 4.04:1. See “– Direct and Overlapping Debt; Overall Value-to-Lien Ratio” below and “RISK FACTORS – Property Values.”

### Direct and Overlapping Debt; Overall Value-to-Lien Ratio

The following table details the direct and overlapping debt currently encumbering the property within the District and the related value-to-lien ratios.

**Table 3**  
**Direct and Overlapping Debt Summary and**  
**Overall Value-to-Lien Analysis**

	Fiscal Year 2005-06	Amount of Levy on Parcel in	Percent of Levy on Parcel in	Total Debt Outstanding <sup>(3)</sup>	District Share of Total Debt Outstanding
<u>Overlapping District</u>	<u>Total Levy<sup>(1)</sup></u>	<u>District</u>	<u>District</u>		
County of Los Angeles – Detention Facilities Debt Service Fund	\$5,608,734	\$38 <sup>(2)</sup>	0.0007%	\$16,205,000	\$111
Burbank Unified Schools	5,792,817	2,403 <sup>(2)</sup>	0.0415	100,209,996	41,572
Flood Control – Storm Drain Sanitation District #4	346,078	2 <sup>(2)</sup>	0.0007	2,265,000	16
Metropolitan Water District	104,530,707	251 <sup>(2)</sup>	0.0002	418,190,000	1,006
Burbank Community Facilities District No. 1991-1	243,844	177,128	72.6400	430,000	312,352
		Estimated Share of Overlapping Debt Allocable to the District			\$355,056
		Plus Community Facilities District No. 2005-1 Bonds <sup>(4)</sup>			615,538
		Estimated Share of Direct and Overlapping Debt Allocable to the District			\$970,594
				Appraised Value <sup>(5)</sup> :	\$3,922,000
				Value-to-lien ratio:	4.041:1

(1) Based on discussions with the County.

(2) Actual Fiscal Year 2005-06 *ad valorem* rates based on discussions with the County.

(3) As of September 2, 2005.

(4) Represents proceeds of the Bonds that will not be deposited into the Escrow Fund at closing.

(5) Date of value is October 15, 2005, pursuant to the Appraisal.

Source: Special Tax Consultant.

### FACILITIES TO BE FINANCED WITH BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be deposited in the Escrow Fund. Funds on deposit in the Escrow Fund are expected to be transferred to the Improvement Fund, the Reserve Fund, and, if necessary, the Bond Fund, and to be used to pay costs associated with the construction of the Facilities, upon satisfaction of the Release Requirements in accordance with the terms of the Fiscal Agent Agreement, or to redeem Bonds if such Release Requirements are not satisfied and such redemption is required under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Escrow Fund.”

### Description of Facilities

The Facilities will comprise the public portion of a parking structure that will include a total of approximately 723 parking spaces (the “Parking Structure”). Pursuant to the OPA, the Developer has agreed to construct the Parking Structure to serve the Development. The Parking Structure will be legally subdivided into three parcels, while still comprising one physical structure: (1) a residential parcel comprised of approximately 236 parking spaces, which will serve the Residential Component, (2) a commercial parcel comprised of approximately 209 parking spaces, which will serve the tenants and patrons of the Commercial Component (as defined herein), and (3) the Facilities, which will constitute a parcel comprised of approximately 278 parking spaces that will be transferred to the City in accordance with the terms of the OPA and made available for use by the public. See “THE DEVELOPER AND THE DEVELOPMENT – Description of the Development.”

The Developer has estimated the total cost expected to be incurred to construct the Parking Structure to be approximately \$30,700,000 of which approximately \$11,800,000 is attributable to the construction of the Facilities. Upon satisfaction of the Release Requirements, it is estimated that approximately \$5,000,000 in Bond proceeds will be transferred from the Escrow Fund to the Improvement Fund and made available to the Developer to pay costs associated with the construction of the Facilities; provided, however, that a portion of such proceeds may be used to redeem Bonds in accordance with the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Escrow Fund."

The construction budget for the Parking Structure, including information regarding expenditures through November 15, 2005, is set forth below:

**Table 4**  
**Construction Budget for Parking Structure**  
**(Including Facilities)**

<u>Description of Cost Item</u>	<u>Estimated Cost</u>	<u>Expenditures as of November 15, 2005</u>
Land Acquisition Cost	\$1,317,877	\$37,084
Offsite and Common Area Costs	230,512	589
Hard Costs	22,675,111	0
Architecture and Engineering	887,846	484,696
Fees and Permits	324,190	27,596
Insurance	368,666	0
Legal and Accounting	41,948	8,494
Pre-Development Expenses	108,499	107,595
Third Party Construction Management	194,032	17,303
Testing and Inspections	193,777	0
Miscellaneous Project Expense	203,993	14,618
Property Taxes	180,908	20,746
Developer Project Management Fee	762,285	0
Construction Interest and Financing Expense	3,250,040	98,657
<b>Total Costs <sup>(1)</sup></b>	<b>\$30,739,685</b>	<b>\$817,378</b>

(1) Totals may not add due to rounding.  
Source: Developer.

### **Status and Schedule for Completion of the Facilities**

Grading for the Parking Structure (which includes the Facilities) is expected to be completed in the first quarter of 2006, and construction of the Parking Structure is expected to be completed by the third quarter of 2007.

### **Acquisition Agreement**

The City and the Developer have entered into an Acquisition Agreement, dated as of February 1, 2006 (the "Acquisition Agreement"), which provides, among other things, that the Developer will construct the Facilities pursuant to certain requirements contained in the Development Agreement, the OPA, and the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire the Facilities with the proceeds of the Bonds. Pursuant to the Acquisition Agreement, any costs of the Facilities not covered by the proceeds of the Bonds will be paid or caused to be paid by the Developer or its successors.

## THE DEVELOPER AND THE DEVELOPMENT

*The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the District. No assurance can be given, however, that the Developer, any of its affiliates, or any property owner within the District described herein will or will not retain ownership of any of the property within the District, or that the District property will continue to be owned or be developed and operated in the manner described herein. Neither the Special Taxes nor the Tax Increment Revenues are personal obligations of the Developer, any of its affiliates, or any property owner within the District. The Bonds are secured solely by the Tax Increment Revenues, the Special Taxes (if required to be levied), and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement. See "RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds.*

### The Developer

**Description of Developer.** The Developer is a California limited partnership, which was formed on May 23, 2005, to own and develop the property in the District. The general partner of the Developer is Burbank Delaware GP Corp., Inc., a Delaware corporation ("Burbank Delaware"). All of the stock of Burbank Delaware is owned by the Robert and Marjorie Champion Trust under declaration of trust dated May 14, 1990 (the "Robert and Marjorie Champion Trust").

**Experience of Developer.** The Developer, Burbank Delaware, and the Robert and Marjorie Champion Trust are operated and managed primarily by Robert Champion, founder and president of Champion Enterprises, Inc., a Nevada corporation, doing business as Champion Development Group (together with various affiliates owned at least in part, and controlled by, Robert Champion, "Champion Development"). Champion Development was founded in 1987 by its president, Robert Champion. Together with its affiliates and partners, Champion Development specializes in commercial urban infill development projects throughout southern California. Between 1987 and 1992, in partnership with Long Beach Bank, Champion Development, together with its affiliates, developed approximately 30 shopping centers throughout southern California. In 1992, in partnership with SunAmerica and the City of Monterey Park, Champion Development developed the Atlantic Square Shopping Center, which was honored that year as one of the best public-private ventures in the nation by the National Association of Housing and Redevelopment Officials. From 1992 to 1994, Champion Development was hired by various national lenders, including Chase Manhattan Bank, to reposition and sell several major shopping centers, including the Terraces Community Shopping Center in the City of Palos Verdes, the Hermosa Pavilions Entertainment Center in the City of Hermosa Beach, and Mountaingate Plaza in the City of Simi Valley. Since 1995, Champion Development has developed several multilevel retail stores in the southern California area, including the two-story Orchard Supply Hardware located in Los Angeles County near the City of Glendale (which has since been sold), an Orchard Supply Hardware located the City of Thousand Oaks, and the two-story Ross "Dress for Less" store, located in the City of Pasadena. In 1997, Champion Development completed the multi-leveled One Westside Shopping Center in the City of Los Angeles, which shopping center is valued at approximately \$50 million and which project won the "Maxi" award for design from the International Council of Shopping Centers.

**Recently Completed or Current Projects.** Champion Development and its affiliates recently completed or are in the process of developing the following development projects in the southern California area:

**Table 5**  
**Recent Champion Development Projects**

<u>Name of Project</u>	<u>Location</u>	<u>Description of Project</u>	<u>Approximate Completion Date</u>
Gas Lamp City Square (Phase I and Phase II)	City of San Diego	Mixed use development, including approximately 65,000 square feet of retail space, 223 condominiums, and a 580-stall parking structure.	November 2004 (for Phase I; Phase II to follow)
Pasadena Collection	City of Pasadena	Mixed use development, including approximately 20,000 square feet of retail space, 38 New York-style residential lofts, 72 condominiums, approximately 18,000 square feet of office space, and a 350-stall public parking structure.	May 2004
Samuel Fox Building	City of San Diego	Conversion of historic office building into approximately 7,300 square feet of retail space and 22 luxury lofts.	April 2006
Colonel Fletcher Building	City of San Diego	Conversion of historic office building into approximately 7,500 square feet of retail space, 21 residential lofts, and a parking structure.	December 2006
The Milan	City of Pasadena	Mixed use urban infill project, including approximately 7,000 square feet of retail space and 54 European-style residential lofts.	August 2007

Source: Developer.

### **Description of the Development**

The Development, called “The Collection at Downtown Burbank,” is a mixed use project to be constructed on the approximately 1.92 acres of property in the City comprising the District. When completed, the Development is expected to include the Residential Component, which will include approximately 118 condominiums (including rights to the exclusive use of 236 parking spaces in the Parking Structure allocated to such condominiums), the Commercial Component, which is expected to include approximately 41,700 gross square feet of non-residential restaurant and retail space (including rights to use the 209 parking spaces in the Parking Structure allocated to such commercial space) and approximately 7,600 square feet of storage space, and the Parking Structure. The Developer currently plans to (1) sell the residential units (and rights to the parking spaces allocated thereto) located in the Residential Component to individual third-party residential owners and subsequently transfer the common space located in the Residential Component, including the 236 parking spaces in the Parking Structure, to a third-party residential owners’ association, (2) transfer the Facilities to the City, and (3) hold the remainder of the Commercial Component (including the rights to the parking spaces allocated thereto) for long-term investment. Only the retail and restaurant space within the District are expected to be subject to the levy of Special Taxes.

The Development is the second phase of a two-phase, mixed use development. The first phase of such development (*i.e.*, the Phase One Development) is located adjacent to the Development and was completed in 2003 by AMC. The Phase One Development includes approximately 35,000 square feet of developed retail space, anchored by an approximately 87,000 square foot, 16-screen, 4,200-seat AMC cinema, and a 250-stall parking structure. The Tax Increment Site includes the site of the Development and the Phase One Development.

### **The Development Plan**

**Residential Component.** The Residential Component is expected to include approximately 118 condominium units, to be constructed in accordance with the terms of the OPA and the Development Agreement. Pursuant to the OPA, the Developer has agreed to sell at least 15 of the approximately 118 condominiums in the Residential Component to moderate income households as described therein.

The Developer plans to commence construction of the Residential Component in the fourth quarter of 2007, and expects such construction to be completed in the second quarter of 2008. The Residential Component will be located above the Commercial Component and constructed in one

construction phase, and will consist of both loft-style and apartment-style condominiums based on two basic model types, ranging from one to two stories, with one bedroom to three plus bedroom units. Such residential units will range in size from approximately 630 to 2,240 square feet, and will be priced at approximately (a) \$165,000 for the affordable units and (b) \$400,000 to \$1,100,000 for the remainder of the condominiums.

The Residential Component is not expected to be subject to the Special Tax. Pursuant to the Rate and Method of Apportionment, upon the issuance of a building permit for the Residential Component, up to 118 residential units within such Residential Component shall be released from the obligation to pay the Special Tax; provided, however, that any units within the Residential Component in excess of such 118 units shall be subject to the levy of the Special Tax.

**Commercial Component.** The Commercial Component is expected to include approximately 41,700 gross square feet of restaurant and retail space (including rights to approximately 209 parking spaces in the Parking Structure) and approximately 7,600 square feet of storage space to be constructed in accordance with the terms of the OPA and the Development Agreement and located within the Parking Structure. The Commercial Component is the only portion of the Development upon which the Special Taxes are anticipated to be levied, exclusive of the storage spaces, if necessary. See "SECURITY FOR THE BONDS – Pledge of Special Taxes."

The Developer plans to commence construction of the Commercial Component in the second quarter of 2007, and expects to complete such construction in the third quarter of 2007. The Commercial Component will be constructed in one construction phase, but will be comprised of three legal parcels, each of which is expected to be owned by the Developer; provided, however, that there is no restriction preventing such parcels from being owned by separate owners in the future.

As of the date of this Official Statement, the Developer has not leased any of the leasable space in the Commercial Component. However, the Developer has received letters of intent from, and is in the process of negotiating leases with, the prospective tenants listed in the following table. **It should be noted, however, that no binding agreements have been executed between the Developer and any of the prospective tenants listed in the following table, and no assurance can be given that any of such prospective tenants will lease any space within the Development.**

**Table 6**  
**Prospective Leases for Commercial Component**

<u>Name of Prospective Lessee</u>	<u>Approximate Size/Use of Proposed Leased Premises</u>
Johnny Rockets	1,450 square feet of restaurant space
Color Me Mine	1,400 square feet of retail space
La Goccia	1,400 square feet of restaurant space
Skechers USA, Inc.	2,000 square feet of retail space
So Good Jewelry	1,450 square feet of retail space
Urban Home	14,250 square feet of retail space

Source: Developer.

**Parking Structure.** The Development is expected to include the approximately 324,190 square foot Parking Structure, which will be comprised of approximately 723 parking spaces that the Developer has agreed, pursuant to the OPA, to construct to serve the Development, and approximately 7,600 square feet of storage space. Pursuant to the OPA, the Parking Structure will be legally subdivided into three parcels, while still comprising one physical structure: (1) a residential parcel comprised of approximately 236 parking spaces, which will serve the Residential Component, (2) a commercial parcel comprised of approximately 209 parking spaces, which will serve the tenants and patrons of the Commercial Component, and (3) the Facilities, which will constitute a parcel comprised of approximately 278 parking

spaces that will be transferred to the City in accordance with the terms of the OPA and made available for use by the public. The Developer plans to commence construction of the Parking Structure in the first quarter of 2006, and expects to complete such construction in the third quarter of 2007. See "FACILITIES TO BE FINANCED WITH BOND PROCEEDS – Description of Facilities."

### **The Financing Plan**

The Developer has estimated that the total cost of constructing the Development will be approximately \$83,000,000. As of the date of this Official Statement, the Developer has received approximately \$7,700,000 in equity contributions from its limited partners to apply to the total construction costs of the Development. The Developer anticipates that the balance of the total cost of constructing the Development will be funded as follows: (i) approximately \$1,700,000 in additional equity contributions is expected from the Developer's limited partners (bringing the total equity contributions from such limited partners to approximately \$9,400,000) and (ii) a construction loan in the approximate amount of \$73,600,000 will be provided by Wachovia Bank, National Association (the "Wachovia Loan"). The Wachovia Loan has not yet closed and funded as of the date of this Official Statement. The Wachovia Loan is required to close prior to the issuance of the Bonds; provided, however, that the issuance of the Bonds and the funding of the Developer's equity contributions, in addition to other negotiated conditions precedent, must occur or be satisfied before any advances may be made on the Wachovia Loan. The Developer currently anticipates that such conditions precedent will be satisfied by the second quarter of 2006.

The following table details the construction budget for the Development, including the expenditures that the Developer has incurred through November 15, 2005. Such budget has been prepared based upon assumptions of development and operating costs, property taxes, public facilities financing, availability of funding sources, and other matters. There can be no assurance that the funding sources described above will be sufficient to complete the Development, or that the actual costs of the Development will not be greater than projected or occur sooner than projected.

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**Table 7**  
**Construction Budget and Expenditures for Development**  
**(Including Facilities)**

Description of Cost Item	Estimated Project Costs				Expenditures as of November 15, 2005			
	Parking	Commercial Component	Residential Component	Total Project Costs	Parking	Commercial Component	Residential Component	Total Project Costs
Land Acquisition Cost	\$1,317,877	\$421,002	\$1,819,120	\$3,558,000	\$37,084	\$12,128	\$50,788	\$100,000
Offsite and Common Area Costs	230,512	113,986	545,502	890,000	589	436	1,976	3,000
Hard Costs	22,675,111	4,648,551	26,874,635	54,198,297	0	0	0	0
Tenant Improvements	0	1,575,940	0	1,575,940	0	0	0	0
Architecture and Engineering	887,846	371,406	1,510,748	2,770,000	484,696	202,599	823,001	1,510,296
Fees and Permits	324,190	333,344	1,344,128	2,001,662	27,596	28,376	114,417	170,389
Insurance	368,666	53,375	2,086,913	2,508,954	0	0	0	0
Marketing and Community Relations	0	104,170	1,235,000	1,339,170	0	0	60,147	60,147
Leasing Commissions and Costs	0	480,984	0	480,984	0	0	0	0
Legal and Accounting	41,948	91,772	200,216	333,937	8,494	18,781	40,909	68,184
Pre-Development Expenses	108,499	30,024	129,883	268,406	107,595	30,563	130,248	268,406
Third Party Construction Management	194,032	101,791	232,275	528,098	17,303	9,688	20,946	47,938
Testing and Inspections	193,777	53,622	231,969	479,368	0	0	0	0
Miscellaneous Project Expense	203,993	108,156	465,925	778,074	14,618	7,875	31,464	53,958
Property Taxes	180,908	50,061	216,564	447,533	20,746	5,893	25,114	51,752
Developer Project Management Fee	762,285	243,515	1,052,213	2,058,013	0	0	0	0
Construction Interest and Financing Expense	<u>3,250,040</u>	<u>1,038,241</u>	<u>4,486,164</u>	<u>8,774,445</u>	<u>98,657</u>	<u>32,265</u>	<u>135,113</u>	<u>266,034</u>
<b>Total Project Costs <sup>(1)</sup></b>	<b>\$30,739,685</b>	<b>\$9,819,941 <sup>(2)</sup></b>	<b>\$42,431,255</b>	<b>\$82,990,881</b>	<b>\$817,378</b>	<b>\$348,603</b>	<b>\$1,434,124</b>	<b>\$2,600,105</b>

(1) Totals may not add due to rounding.

(2) The Developer expects that, upon completion, the value of the Commercial Component, including all revenues generated thereby, will be sufficient to allow the release of all escrowed Bond proceeds then on deposit in the Escrow Fund.

Source: Developer.

## **The Development Agreement**

Pursuant to California Government Code Section 65864 *et seq.* and Sections 31-19118 *et seq.* of the Burbank Municipal Code, the City and Champion entered into the Development Agreement Between the City of Burbank and Champion Realty, Ltd. (Planned Development No. 2003-2), dated January 19, 2005, as assigned to the Developer by the Assignment Agreement (collectively, the "Development Agreement"). The Development Agreement establishes certain rights and obligations of the parties thereto with respect to the Development and establishes certain land use approvals and conditions related to the Development, including, but not limited to: (1) a zone change for the Development that permits the construction of approximately 118 condominium units, a maximum of 50,000 square feet of restaurant, retail, and storage space, of which at least 60% must be retail space, and a parking structure consisting of approximately 723 parking spaces to serve the Development as described in this Official Statement, and (2) the imposition of certain conditions that must be met by the Developer, including requirements concerning compliance with federal, state, and local laws with respect to land use, planning, and design. Subject to the terms and conditions contained therein, the Development Agreement provides the Developer with the vested right to develop the Development as planned. See " – The Development Plan" above.

## **RISK FACTORS**

*Investment in the Bonds involves risks which may not be appropriate for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the Bonds for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Failure to Develop Property**

The construction of the Development and the Facilities has not yet been completed and there are still land development activities occurring within the District. See "FACILITIES TO BE FINANCED WITH BOND PROCEEDS" and "THE DEVELOPER AND THE DEVELOPMENT." Land development operations, including construction of the Development by the Developer or its affiliates, are subject to comprehensive federal, State, and local regulations, as well as general and local economic conditions. Approval is required from various agencies in connection with the layout and design of the Development, the nature and extent of the planned improvements, construction activity, land use, zoning and health requirements, as well as numerous other matters. It is possible that such approvals will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy any such governmental requirements could adversely affect the Development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the District, will be enacted, and a risk that future land use initiatives approved by the voters in the City or the State could add more restrictions and requirements on development within the District. See "THE DEVELOPER AND THE DEVELOPMENT – The Development Plan."

### **Risks Related to the Financing of the Development**

As described under the heading "THE DEVELOPER AND THE DEVELOPMENT – The Financing Plan," a primary source of financing for the Development is expected to be the Wachovia Loan. While the Wachovia Loan is expected to close prior to the issuance of the Bonds, the funding of the Wachovia Loan is subject to various conditions precedent. The Developer anticipates that such

conditions precedent will be satisfied by the second quarter of 2006. Failure to satisfy the conditions to funding of the Wachovia Loan could result in a failure to timely complete the Development, and, possibly, an inability to satisfy the Release Requirements resulting in a redemption of Bonds. See "SECURITY FOR THE BONDS – Escrow Fund" and "THE BONDS – Redemption Provisions – Mandatory Redemption From Escrow Fund Transfer" herein.

### **Property Values**

The value of property within the District is an important factor in determining the investment quality of the Bonds. If Tax Increment Revenues are insufficient to pay all of the debt services with respect to the Bonds, and a property owner is delinquent in the payment of Special Taxes, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Taxes. Reductions in land values due to a downturn in the economy, physical events such as earthquakes or floods, or stricter land use regulations or other events could therefore adversely impact the security underlying the Bonds. Furthermore, the appraised values described herein may not accurately estimate existing fair market values, or values realizable on foreclosure. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the appraised values described herein at a foreclosure sale. See "THE DISTRICT – Appraised Value; Value-to-Lien Ratio."

### **Concentration of Ownership**

All of the property within the District is currently owned by Burbank Entertainment Village. On or before the date the Bonds are issued, the property within the District will be sold and transferred to the Developer. See "THE DISTRICT – Ownership of District Property." In the event that Tax Increment Revenues are insufficient to pay all of the debt service due with respect to the Bonds, the timely payment of the principal of and interest on the Bonds will depend upon the willingness and ability of the landowners in the District to pay the Special Taxes when due. Conditions may affect the willingness of the current landowner, or any successor landowners, to pay Special Taxes, and there is no assurance that the current landowner, or any successor landowners, will pay such Special Taxes even if financially able to do so. Due to the concentration of ownership of the property within the District, a failure by the landowner to pay Special Tax installments may result in a default in the payment of debt service on the Bonds. No assurance can be given that the Developer or other taxpayers within the District, if any, will continue to pay the Special Taxes levied on their property in the future or that they will be able to pay such Special Taxes on a timely basis.

### **Reduction of Tax Increment Revenues**

The Tax Increment Revenues constitute security for the Bonds. Tax Increment Revenues are determined by the amount of incremental assessed value of property in the Tax Increment Site, the current rate or rates at which property in the Tax Increment Site is taxed, and the percentage of taxes collected in the Tax Increment Site.

Several types of events beyond the control of the City or the Agency could occur and cause a reduction in available Tax Increment Revenues that secure the Bonds, including, among others, the following: (i) a reduction of taxable values of property in the Tax Increment Site caused by local or regional economic factors; (ii) a relocation out of the Tax Increment Site by one or more major property owners; (iii) successful appeals by property owners for a reduction in a property's assessed value; (iv) a reduction of the general inflationary rate; or (v) the destruction of property caused by natural or other disasters. This risk increases in proportion to the percent of total assessed value attributable to any single property owner in the Tax Increment Site.

## **Estimates of Tax Increment Revenues**

To estimate the total revenues available to pay the Pro Rata Payments, the Agency has made certain assumptions with regard to the assessed valuation in the Tax Increment Site, future tax rates, percentage of taxes collected, and the availability of tax increment within the City Centre Redevelopment Project Area to pay all Agency obligations senior to the Note. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentage of taxes collected, and the amount of tax increment within the City Centre Redevelopment Project Area available to pay all Agency obligations senior to the Note are less than the Agency's assumptions, the total revenues available for the Pro Rata Payments may be less than those projected in this Official Statement and Special Taxes may have to be levied on the District property.

As noted below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Increment Revenues, the Agency has assumed the two percent (2%) inflationary increases. See "SECURITY FOR THE BONDS – Pledge of Tax Increment Revenues – Tax Increment Revenue Projections," "APPENDIX E – The Redevelopment Agency and the Redevelopment Project Areas," and "APPENDIX F – The Fiscal Consultant's Report."

## **Payment and Collection of Special Taxes**

Unpaid Special Taxes do not constitute a personal indebtedness of the landowners within the District. Moreover, no landowner within the District has made a commitment to pay the principal of or interest on the Bonds or to support the payment of the Bonds in any manner. There is no assurance that the Developer or any future landowners within the District have or will have the ability to pay the Special Taxes if and when due or that, even if such entity has such ability, it will choose to pay such Special Taxes. If Special Taxes are levied in the event Tax Increment Revenues are insufficient to pay all of the debt service due with respect to the Bonds, a landowner within the District may elect to not pay such Special Taxes when due and cannot be legally compelled to do so. If a property owner within the District decides that it is not economically feasible to continue owning its District property, such landowner may choose to not pay such Special Taxes and to allow the property to be foreclosed. Such a choice may be made due to a variety of reasons, including, but not limited to, a decrease in the market value of the property. A foreclosure of the property will result in such landowner's interest in the property being transferred to another party. Neither the City nor any Bondowner will have the ability at any time to seek payment from the landowners within the District of any Special Taxes or the principal or interest due with respect to the Bonds, or the ability to control who becomes a subsequent owner of any property within the District. See "Bankruptcy and Foreclosure" below.

The Law provides that if any property within the District not otherwise exempt from the Special Taxes is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Law provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operative effect of these provisions of the Law have not been tested in the courts. If for any reason property subject to the Special Taxes becomes exempt from taxation by reason of ownership by the federal government, subject to the limitation of the maximum authorized Special Taxes, the Special Taxes will be reallocated to the remaining taxable properties within the District, depending on where such property is located. This would result in the owners of such properties paying a greater amount of the Special Taxes levied and could have an adverse effect on the timely payment of the Special

Taxes, if levied. Moreover, if a substantial portion of land within the District becomes exempt from the Special Taxes because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining land might not be sufficient, if required, to make the payments required to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

### **Federal Government Interests in Properties**

The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure, or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Law and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

According to the County Assessor's tax roll, as of November 1, 2005, the FDIC did not own any property in the District. The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds.

### **Bankruptcy and Foreclosure**

The City has covenanted to commence judicial foreclosure proceedings for delinquent Special Taxes. See "SECURITY FOR THE BONDS – Covenant to Commence Superior Court Foreclosure for Delinquent Special Taxes." However, the ability of the City to foreclose the lien of a delinquent Special Tax payment may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights

or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to lengthy local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally. Although bankruptcy would not cause the Special Tax lien to become extinguished, bankruptcy of a property owner, or anyone else who claims an interest in the property, could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Special Taxes not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

*Glasply* is controlling precedent on bankruptcy courts in the State. Pursuant to statute, the lien date for general *ad valorem* property taxes levied in the State is the January 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent the lien for general *ad valorem* property taxes levied in subsequent fiscal years from attaching so long as the property was a part of the estate in bankruptcy. Pursuant to Section 14-2028(F) of the Law, the lien of a special tax, unlike the lien for general *ad valorem* property taxes, attaches upon recordation of the notice of the special tax lien as provided for under the Law. The Notice of Special Tax Lien was recorded in the Official Records of the County. Thus, before applying *Glasply* to a bankruptcy situation involving special taxes rather than general *ad valorem* property taxes, a court would need to consider the differences in the statutory provisions for creation of the applicable tax lien. If a court were to apply *Glasply* to eliminate the priority as a secured claim of the special tax lien with respect to post petition levies of the Special Tax as against property owners within the District who file for bankruptcy, collections of the Special Tax from such property owners could be reduced.

### **Limited Secondary Market**

No application has been made for a credit rating for the Bonds, and it is not known whether a rating for the Bonds could be secured either now or in the future. There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds and, from time to time, there may be no market for the Bonds, depending upon prevailing market conditions and the financial condition or market position of firms who may comprise the secondary market.

Although the City, the Agency, and the Developer have each covenanted to provide continuing secondary market disclosure, including certain financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual disclosure information does not give rise to

monetary damages, but merely an action for specific performance. Occasionally, because of general market conditions, a lack of current information, the absence of a credit rating, or the existence of an adverse history or adverse economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, secondary market prices for issues depend upon the then-prevailing circumstances. Such prices could be substantially different from the original purchase price of the issue.

### **No Acceleration; Loss of Tax Exemption**

The Fiscal Agent Agreement does not contain a provision providing for the acceleration of the payment of the principal of or interest on the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Moreover, as discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

### **Levy and Collection of Taxes**

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Increment Revenues and, accordingly, could have an adverse impact on the ability of the Agency to pay the Pro Rata Payments under the Note.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Tax Increment Site, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to collect Tax Increment Revenues, which could in turn adversely affect the Agency's ability to make the Pro Rata Payments under the Note.

### **Changes in Redevelopment Law**

For Fiscal Years 1992-93, 1993-94, 1994-95, 2002-03, 2004-05, and 2005-06, redevelopment agencies, including the Agency, were required to pay a portion of their revenues into the Education Revenue Augmentation Fund ("ERAF"). See "State Budget Deficits" below. There is no assurance that, in addition to these and other limitations on tax revenues described under "Constitutional Limitations on Taxation and Appropriations" below, the California electorate or Legislature will not adopt a constitutional or legislative property tax decrease with the effect of reducing tax increment revenues payable to the Agency, which could reduce the available Tax Increment Revenues and thereby adversely affect the security of the Bonds.

### **State Budget Deficits**

In approving recent budgets, the State Legislature has enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each redevelopment agency's tax increment, net of amounts due to other taxing agencies, to school districts for such Fiscal Years for deposit in ERAF. The amount required to be paid by a redevelopment agency was apportioned among all of the redevelopment agency's project areas collectively, rather than allocated to particular project areas.

In approving the budget for Fiscal Year 2003-04, the Legislature fixed the aggregate ERAF transfer for the year at \$135 million, of which the Agency paid approximately \$1,343,094 as its allocated share. In connection with its approval of the budget for Fiscal Year 2004-05, the Legislature fixed the ERAF transfer at \$250 million each for Fiscal Year 2004-05 and 2005-06. The Agency's Fiscal Year 2004-05 share is approximately \$2,477,103. The Legislature also authorized redevelopment agencies to extend the effective dates of their redevelopment plans. In addition, the amounts paid into ERAF are deducted from the cumulative tax increment revenue receipts applied to the tax increment cap. ERAF transfers can be made from any legally available moneys of the Agency. The Agency has represented that the City Centre Redevelopment Project Area's ERAF obligation for fiscal year 2005-06 will be fully funded from the West Olive Redevelopment Project and, therefore, no ERAF payments were deducted from the Tax Increment Revenue projections contained herein.

The State's projected budget deficits continue to be substantial and may lead to subsequent ERAF transfers or other actions which might reduce the Agency's available Tax Increment Revenues and the Agency's ability to make the Pro Rata Payments under the Note. Prospective purchasers of the Bonds may wish to review information presented by the State at [www.dof.ca.gov](http://www.dof.ca.gov) (maintained by the State Department of Finance) and [www.lao.ca.gov](http://www.lao.ca.gov) (analysis by the State Office of the Legislative Analyst). *The foregoing internet addresses are included for reference only and the information on the internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or integrity of the information on such internet sites.* The Agency does not prepare such information and cannot assume any responsibility for its accuracy, completeness or timeliness (or the continued accuracy of internet address information). Whether or not this information is accurate, complete, or timely, prospective purchasers of the Bonds should observe that the posting or release of such information may change the perceived outlook for the Agency's continued receipt of Tax Increment Revenues and thus the market price for the Bonds.

The State's budget deficit has yet to be resolved and litigation is pending to challenge some of the measures already taken to reduce the deficit. Future legislation, litigation, and other measures affecting the Agency's receipt of Tax Increment Revenues in connection with the State budget situation cannot be predicted and may materially and adversely affect the Agency's ongoing ability to pay the Pro Rata Payments.

### **Tax Increment Cap**

The Agency's ability to collect tax increment is limited not only by the time limits on the repayment of debt, but also by the cap on total tax increment to be received from the City Centre Redevelopment Project Area. The cumulative tax increment that the Agency may receive from the City Centre Project Area is capped at \$3,106,962,907. The total amount of tax increment received by the Agency through fiscal year ending June 30, 2005, is \$86,074,888.

### **Constitutional Limitations on Taxation and Appropriations**

**Article XIII A.** On June 6, 1978, California voters approved an amendment (commonly known as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, placed significant limits on the imposition of new *ad valorem* taxes, special taxes, transaction taxes, and sales taxes. Section 4 of Article XIII A permits cities, counties, and special districts, by a two-thirds vote of the qualified electors of the jurisdiction, to impose special taxes, except for *ad valorem* taxes on real property or a transaction tax or sales tax on the sale of real property. The Special Tax is a special tax approved by the voters within the District in accordance with the procedures set forth in Section 4 of Article XIII A. The District has not pledged any taxes other than the Special Taxes to the repayment of the Bonds and, given the limitations

on *ad valorem* property taxes imposed by Article XIII A, does not have any *ad valorem* property taxes to repay the Bonds.

Article XIII A does permit the levy of *ad valorem* taxes and the imposition of special assessments to pay interest and redemption charges on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by voters voting at the election proposing the taxes or assessments. Were the qualified voters to approve indebtedness payable from *ad valorem* taxes or assessments against property within the District, those taxes or assessments would be on a parity with the Special Taxes. See "RISK FACTORS – Direct and Overlapping Indebtedness." Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

**Article XIII B.** The State of California and State and local government agencies are subject to annual "appropriation limits" imposed by Article XIII B of the California Constitution. Among other things, Article XIII B prohibits the State and local government agencies from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitations" include authorizations to spend "proceeds of taxes," which consist of tax revenues, certain state subventions, and certain other funds, including proceeds from regulatory licenses, user charges, or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as appropriations for debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges, or fees and certain other nontax funds. Since the Bonds constitute indebtedness authorized by the voters of the District, the District does not intend to treat the Special Taxes as "appropriations subject to limitation." Notwithstanding this fact, the Law permits, and the qualified elector in the District has approved, an appropriations limit.

**Proposition 218.** Proposition 218 ("Proposition 218"), a state ballot initiative known as the "Right to Vote on Taxes Act," was approved by California voters on November 6, 1996. Proposition 218 added Articles XIII C and XIII D to the California Constitution and, with the exception of certain provisions, Articles XIII C and XIII D became effective on November 6, 1996.

Among other things, Proposition 218 imposed certain voting requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. Under Proposition 218 (i) all taxes imposed by local governments are deemed to be either general taxes or special taxes, (ii) no local government may impose, extend, or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote, and (iii) no local government may impose, extend, or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote. Special purpose districts, including community facilities districts, have no power to levy general taxes. The Special Taxes were authorized by not less than a two-thirds vote of the property owners within the District who constituted the qualified electors of the District at the time of such vote. The City believes that the issuance of the Bonds does not require the conduct of further proceedings under the Law or Proposition 218, other than as described herein.

Proposition 218 provides that the initiative power shall "not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." Thus, Proposition 218 removes limitations on the initiative power in matters of, among other things, the Special Taxes. Consequently, it is conceivable that the voters of the City or the District could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any Special Tax, subject to overriding federal constitutional principles relating to impairment of contracts.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

### **Future Initiatives**

Articles XIII A and XIII B and Proposition 218 were each submitted to and approved by the voters of the State pursuant to the State's constitutional initiative process. On March 6, 1995, in *Rossi v. Brown* (9 Cal.4th 688), the Supreme Court of the State held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption of taxes from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by the voters of the State. The adoption of any such initiative might place limitations on the ability of the State, the City, the Agency, the District, and other local districts to increase revenues or to increase appropriations or on the ability of the property owners within the District to complete the proposed Development.

### **Direct and Overlapping Indebtedness.**

The ability of a landowner within the District to pay the Special Taxes levied against its District property could be adversely affected by the existence of other taxes and assessments imposed upon such property. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the City, and in certain cases without the consent of the owners of land within the District, impose additional taxes or assessment liens on the property within the District to finance public improvements to be located inside or outside the District. See "THE DISTRICT – Direct and Overlapping Debt; Overall Value-to-Lien Ratio."

### **Limitations on Remedies**

The enforceability of the rights of the Bondowners and the Fiscal Agent, and the obligations incurred by the City and the Agency as described herein may be subject to various limitations, including, but not limited to, the following: the federal bankruptcy code and applicable bankruptcy law, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the federal government of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights.

### **Hazardous Substances**

Although governmental taxes, assessments, and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to hazardous substances. In general, the owners and operators of parcels within the District may be required by law to remedy conditions of the parcels related to the releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation, and Liability Code of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substances

condition of a property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within the District be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner (or operator) is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The appraised values set forth in the Appraisal do not, unless expressly noted, take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City is not aware that the owner (or operator) of any of the taxed parcels has such a current liability with respect to any of the parcels within the District, except as expressly noted herein. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the value of a taxed parcel that is realizable upon a delinquency of Special Taxes.

### **Seismic Hazards**

California has historically been subject to periodic seismic activity. The property within the District is not located within any Special Studies Zone, as defined in the Alquist-Priolo Special Studies Zone Act. Nevertheless, it may still be subject to moderate and severe ground shaking in the event of a major seismic occurrence on any of the active or potentially active faults in the southern California area. The San Andreas Fault is the closest active fault to the District, located approximately 27 miles northeast of the City. The Verdugo Fault, which is considered potentially active, runs along the Verdugo Mountains in the northern portion of the City.

The occurrence of seismic activity in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes.

### **Flood Hazards**

According to the Federal Emergency Management Agency Federal Insurance Administration map panel #0650180005C, dated January 20, 1999 (the "FEMA Map"), the property within the District is located in a mapped Zone X area, which is an area of minimal flooding. Consequently, no flood insurance has been or will be obtained by the Developer with respect to its property within the District.

## **TAX MATTERS**

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal

Revenue Code of 1986 (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure of the City to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Bondowners should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any collateral tax consequences arising with respect to the Bonds other than as expressly described above.

The complete text of Bond Counsel's proposed opinion is set forth in "APPENDIX B – Proposed Form of Bond Counsel Opinion."

### **CERTAIN LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel's opinion is set forth in Appendix B. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Copies of such approving opinion will be available at the time of delivery of the Bonds. The fees and expenses of Bond Counsel are contingent upon the sale and delivery of the Bonds. Certain matters will be passed upon for the City, the District, and the Agency by the City Attorney, for the Underwriter by Pillsbury Winthrop Shaw Pittman LLP, Century City, California, and for the Developer by Resch Polster Alpert & Berger, LLP, Los Angeles, California, and Latham & Watkins LLP.

### **ABSENCE OF LITIGATION**

The City and the Agency will each certify upon the issuance and delivery of the Bonds that there is no action, suit, or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the Bonds, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City, the District, or the Agency, as applicable, taken with respect to any of the foregoing.

### **NO RATING**

The City has not applied, and does not contemplate making an application to any rating agency, for the assignment of a rating to the Bonds.

### **UNDERWRITING**

The Bonds are being purchased by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$5,985,298.75, which purchase price was calculated as the original principal amount of the Bonds, less an Underwriter's discount of \$169,701.25. The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and

conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

## **CONTINUING DISCLOSURE**

### **Continuing Disclosure by the City and Agency**

The City, for itself and on behalf of the District, and the Agency will each covenant in a Continuing Disclosure Agreement, the form of which is set forth in Appendix H, for the benefit of the Bondowners and Beneficial Owners of the Bonds, to provide an annual report (each, an "Annual Report") containing certain financial information and operating data relating to the District, the Agency, and the Bonds for each Fiscal Year. The specific nature of the information to be contained in the Annual Reports and certain other terms of this continuing disclosure obligation are summarized in "APPENDIX H - Form of Continuing Disclosure Agreements (City Form)." Neither the City nor the Agency has ever failed to comply with any previous undertaking to provide continuing disclosure reports and notices of material events.

### **Continuing Disclosure by the Developer**

The Developer will covenant in its Continuing Disclosure Agreement, the form of which is set forth in Appendix H, for the benefit of the Bondowners and Beneficial Owners of the Bonds, to provide a semi-annual report containing certain financial information and operating data relating to the Development and the Facilities for each of its fiscal years. The specific nature of the information to be contained in the Developer's semi-annual reports and certain other terms of this continuing disclosure obligation, including the circumstances under which the Developer may be released from its continuing disclosure obligation, are summarized in "APPENDIX H - Form of Continuing Disclosure Agreements (Developer Form)." The Developer has not previously undertaken to provide continuing disclosure reports and notices of material events.

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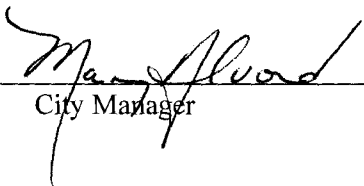
### MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact. This Official Statement is not to be construed as a contract or agreement among the City, the District, or the Agency and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the City on behalf of the District.

CITY OF BURBANK, for and on behalf of  
CITY OF BURBANK COMMUNITY FACILITIES  
DISTRICT NO. 2005-1 (THE COLLECTION PUBLIC  
PARKING FACILITY)

By:   
City Manager

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement for the complete terms thereof.

#### Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Acquisition Agreement" means the Acquisition Agreement, dated as of February 1, 2006, between the City and Burbank Collection, Ltd., a California limited partnership, as originally executed and as it may be amended from time to time.

"Administrative Expenses" means costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and computing amounts payable by the Agency under the Note, and the costs of preparing the annual Special Tax collection schedules (whether by the Finance Director or designee thereof or both) and the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; fees and costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; costs related to the release of funds from the Escrow Fund or any extension of dates referred to in the Escrow Fund provisions of the Fiscal Agent Agreement, the costs of the City or any designee of the City of complying with the disclosure provisions of the Law and other applicable laws, the Continuing Disclosure Agreement and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser; the costs of the City or any designee of the City related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the City to comply with the covenant in the Fiscal Agent Agreement regarding rebate payments to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with the covenant in the Fiscal Agent Agreement regarding rebate payments to the federal government, and the costs of commencing and pursuing foreclosures with respect to delinquent Special Taxes.

"Administrative Expense Fund" means the fund by that name established by the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions thereof.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of the provisions of the Fiscal Agent Agreement providing for mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to the Fiscal Agent Agreement).

"Auditor" means the auditor/controller of the County.

"Authorized Officer" means the Mayor, City Manager, Financial Services Director (including any Interim Financial Services Director), City Clerk or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means (i) Quint & Thimmig LLP, or (ii) any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Fund" means the fund by that name established under the Fiscal Agent Agreement.

"Bond Register" means the books for the registration and transfer of Bonds maintained by the Fiscal Agent under the Fiscal Agent Agreement.

"Bond Year" means the one-year period beginning on December 2nd in each year and ending on December 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on December 1, 2006.

"Bonds" means the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) 2006 Special Tax Bonds at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"Capitalized Interest Account" means the account by that name established within the Bond Fund by the Fiscal Agent Agreement.

"City Attorney" means the attorney employed by the City in the capacity of City Attorney.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed,

temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement executed by the City, the Agency and Wells Fargo Bank, National Association, as dissemination agent, on the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds and the establishment of the District, special tax consultant fees and expenses, financial advisor fees and expenses, fiscal consultant fees and expenses, preliminary engineering fees and expenses, Bond (underwriter's) discount, legal fees and charges, including bond counsel and landowner's counsel, charges for execution, transportation and safekeeping of the Bonds, landowner expenses related to the District formation and the issuance of the Bonds, City costs related to the District formation, and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established by the Fiscal Agent Agreement.

"County" means the County of Los Angeles, California.

"Debt Obligations" means, collectively, (i) an amount equal to the principal amount of the Bonds then Outstanding, less the principal amount of any Bonds to be redeemed from amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement, plus (ii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

"Debt Service" means the scheduled amount of interest and amortization of principal (including principal payable by reason of the sinking account redemption provisions of the Fiscal Agent Agreement) on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (a) initially, The Depository Trust Company, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

"District Value" means the market value, as of the date of value in the appraisal described below or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the District subject to the levy of the Special Taxes and not

delinquent in the payment of any Special Taxes then due and owing, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal that has a valuation date that is within the preceding three (3) months by an MAI appraiser (the "Appraiser") selected by the City, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the District Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"Escrow Fund" means the fund by that name created by and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the Financial Services Director of the City or such other officer or employee of the City performing the functions of the chief financial officer of the City (including any Interim Financial Services Director).

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Improvement Fund" means the fund by that name created by and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) has experience in matters relating to the issuance and/or administration of bonds under the Law; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service", 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government", 99 Church Street, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record", 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means June 1 and December 1 of each year, commencing June 1, 2006.

"Law" means the City of Burbank Special Tax Financing Improvement Code, being Article 20 of Chapter 14 of the Burbank Municipal Code.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service, and any successor thereto.

"Note" means the promissory note of the Agency payable to Burbank Collection, Ltd., a California limited partnership and assigned to the Fiscal Agent, evidencing the Agency's obligations under and as otherwise described in Section 301.1 of the OPA.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"OPA" means the Amended and Restated Owner Participation Agreement, entered into on December 2, 2004, by the Agency and Champion Realty, Ltd., a California limited partnership (and as assigned by Champion Realty, Ltd. to Burbank Collection, Ltd., a California limited partnership), as amended and in effect from time to time.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means Stone & Youngberg LLC, the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Fiscal Agent Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) Time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank (including the Fiscal Agent and its affiliates) or trust company, or a state or federal savings and loan association; provided, that the certificates of deposit shall be one or more of the following: continuously and fully insured by the Federal Deposit Insurance Corporation, and/or continuously and fully secured by securities described in subdivision (a) of this definition of Permitted Investments which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, of not less than 102 percent of the principal amount of the certificates of deposit.

(c) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody's or S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, by either Moody's or S&P, provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation.

(d) A repurchase agreement with a state or chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the

underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(e) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or insurance company the long-term unsecured obligations of which are, or claims paying ability or financial strength of which is, respectively, rated at least "AA3" or better by Moody's and at least "AA-" or better by S&P at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five Business Days after the financial institution's long-term unsecured credit rating or, if applicable, the insurance company's claims paying ability or financial strength credit rating, has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or S&P from the practice of rating that debt, or reduced below "AA-" by S&P or below "Aa3" by Moody's (these events are called "rating downgrades") the financial institution or insurance company, respectively, shall give notice to the Fiscal Agent and, within the five-day period, and for as long as the rating downgrade is in effect, shall either arrange for another entity meeting the requirements of the first sentence of this paragraph (e) to assume its obligations under the investment agreement or deliver in the name of the Fiscal Agent to the Fiscal Agent federal securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and (2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating or, if applicable, the insurance company's claims paying ability or financial strength credit rating is reduced below "A3" by Moody's or below "A-" by S&P, the provider shall within five Business Days arrange for another entity meeting the requirements of the first sentence of this paragraph (e) to assume its obligations under the investment agreement or else the Fiscal Agent may, upon not more than five Business Days' written notice to the financial institution or insurance company, respectively, withdraw amounts invested under the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(f) The Local Agency Investment Account of the State Finance Director of the State of California as permitted by the State Finance Director pursuant to Section 16429.1 of the Article 20 of Chapter 14 of the Burbank Municipal Code.

(g) Investments in a money market account (including any accounts of the Fiscal Agent or its affiliates) rated in the highest rating category by Moody's or S&P.

"Principal Office" means the principal corporate trust office of the Fiscal Agent set forth in the Fiscal Agent Agreement, except for the purpose of maintenance of the registration books and presentation of Bonds for payment, transfer or exchange, such term shall mean the office at which the Fiscal Agent conducts its corporate agency business, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the public parking facilities more particularly described in the Resolution of Formation.

"Rate and Method of Apportionment of Special Taxes" means the rate and method of apportionment of special taxes for the District, as approved pursuant to the Resolution of Formation, and as it may be modified in accordance with the Law.

"Record Date" means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

"Release Requirements" means, collectively, (a) the construction of the Public Parking Structure (as defined in the OPA) has been completed, as evidenced by the issuance by the City of a certificate of occupancy or temporary certificate of occupancy with respect to the Public Parking Structure, and (b) the District Value is at least three times the amount of the Debt Obligations.

"Reserve Fund" means the fund by that name established pursuant to the Fiscal Agent Agreement.

"Reserve Requirement" means, (A) as of any date of calculation prior to the date on which funds are transferred from the Escrow Fund pursuant to the Fiscal Agent Agreement, the amount specified for such period in the Fiscal Agent Agreement; and (B) as of any date of calculation thereafter, an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the then Outstanding principal amount of the Bonds.

"Revenues" means, collectively, Special Tax Revenues and Tax Increment Revenues.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, and any successor thereto.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Fund" means the fund by that name established by the Fiscal Agent Agreement.

"Special Tax Prepayments" means the proceeds of any prepayments of Special Tax received by the City, as calculated pursuant to the Rate and Method of Apportionment of Special Taxes, less any administrative fees or penalties collected as part of any such prepayment.

"Special Tax Prepayments Account" means the account by that name established within the Bond Fund by the Fiscal Agent Agreement.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "Special Tax Revenues" does not include any penalties collected in connection with delinquent Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Law, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Law and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Tax Consultant" means David Taussig & Associates, Inc. or another independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

"Tax Increment Revenues" means amounts paid by the Agency pursuant to the Note, to the extent received by the Fiscal Agent (as assignee of Burbank Collection, Ltd.), and required by the Fiscal Agent Agreement to be deposited to the Special Tax Fund.

### **Funds and Accounts**

The Fiscal Agent Agreement provides for the following funds, which include the Special Tax Fund, the Bond Fund and the Reserve Fund described in the text of this Official Statement:

Improvement Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Improvement Fund. A deposit shall be made to the Improvement Fund as required by the Fiscal Agent Agreement relating to the release of funds from the Escrow Fund. Moneys in the Improvement Fund shall be held in trust by the Fiscal Agent for the benefit of the City, and shall be disbursed for the payment or reimbursement of costs of the Project. Amounts in the Improvement Fund are not pledged as security for the Bonds.

Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall: (a) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for a Project cost identified in the Acquisition Agreement or otherwise payable from the Improvement Fund), that the disbursement is a proper expenditure from the Improvement Fund, and the person to whom the disbursement is to be paid; and (b) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting a disbursement. Each such Officer's Certificate or other certificate submitted to the Fiscal Agent as described in the Fiscal Agent Agreement shall be sufficient evidence to the Fiscal Agent of the facts stated therein, and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Moneys in the Improvement Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment and deposit of amounts in the Improvement Fund shall be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and when no amounts remain on deposit in the Improvement Fund the Improvement Fund shall be closed.

Costs of Issuance Fund. There is established as a separate fund to be held by the Fiscal Agent, the Costs of Issuance Fund, to the credit of which a deposit shall be made as

required by the Fiscal Agent Agreement. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent, shall be disbursed as provided below for the payment or reimbursement of Costs of Issuance, and are not pledged as security for the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Finance Director and delivered to the Fiscal Agent concurrently with the delivery of the Bonds, or otherwise in an Officer's Certificate delivered to the Fiscal Agent after the Closing Date. The Fiscal Agent shall pay all Costs of Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to an Officer's Certificate requesting payment of Costs of Issuance. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Finance Director for deposit by the Finance Director in the Administrative Expense Fund.

Moneys in the Costs of Issuance Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Reserve Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Reserve Fund, to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement equal to the Reserve Requirement as of the Closing Date for the Bonds, and deposits shall be made as provided in the Escrow Fund release and Special Tax Fund provisions of the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming Bonds from the Bond Fund.

The Fiscal Agent shall transfer from the Reserve Fund to the Bond Fund the amount, if any, in the Reserve Fund which is in excess of the amount of the then Reserve Requirement (i) on the Business Day prior to each Interest Payment Date which occurs prior to the transfer of amounts in the Escrow Fund to the Reserve Fund, the Improvement Fund and, if applicable, the Bond Fund pursuant to the Fiscal Agent Agreement, (ii) on the forty-fifth day prior to each Interest Payment Date that occurs following a transfer from the Escrow Fund pursuant to the Fiscal Agent Agreement, and (iii) on any other date at the written request of the Finance Director, with any amount so transferred from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall upon the written direction of the Finance Director transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and

redemption, in accordance with the Fiscal Agent Agreement, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City to be used for any lawful purpose of the City.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund as described in the preceding paragraph until after (i) the calculation of any rebate amounts due to the federal government pursuant to the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed, and the original principal of the Bonds) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Fiscal Agent Agreement. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Amounts in the Reserve Fund may at any time be used, at the written direction of an Authorized Officer, for purposes of paying any rebate liability due to the federal government under the provisions of the Fiscal Agent Agreement.

Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. There is also created in the Bond Fund a separate account held by the Fiscal Agent, the Capitalized Interest Account, to the credit of which deposits shall be made as required under the Fiscal Agent Agreement. There is also created in the Bond Fund a separate account to be held by the Fiscal Agent consisting of the Special Tax Prepayments Account, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement.

Moneys in the Bond Fund and the accounts therein shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

*Bond Fund Disbursements.* On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement, or a redemption of the Bonds required by the Fiscal Agent Agreement, such payments to be made in the priority listed in the second succeeding paragraph.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the

available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

*Special Tax Prepayments Account Disbursements.* Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred from the Reserve Fund in connection therewith pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

*Capitalized Interest Account Disbursements.* Moneys in the Capitalized Interest Account shall be transferred to the Bond Fund on the Business Day prior to each Interest Payment Date, following any transfers of earnings on amounts in the Reserve Fund, Tax Increment Revenues on deposit in the Special Tax Fund and earnings on amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement to occur on the Business Day prior to the respective Interest Payment Date, in an amount necessary to increase the amount then on deposit in the Bond Fund to an amount equal to the interest on the Bonds due on the next succeeding Interest Payment Date, and, if applicable with respect to an Interest Payment Date on which principal is due on the Bonds following the establishment of any Revised Escrow Close Date pursuant to the Fiscal Agent Agreement, in an amount equal to the principal so due on the Bonds on such Interest Payment Date; provided that no such transfer shall exceed the amount then on deposit in the Capitalized Interest Account. On the date on which amounts are released from the Escrow Fund pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall transfer all amounts then on deposit in the Capitalized Interest Account to Burbank Collection, Ltd., or as otherwise directed in writing by the President of Burbank Delaware GP Corp., Inc., the general partner of Burbank Collection, Ltd. delivered to the Fiscal Agent prior to the date of such transfer.

Moneys in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account shall be retained in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account, respectively, to be used for purposes of such fund and accounts.

Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Special Tax Fund, to the credit of which the Fiscal Agent shall deposit (i) amounts received from or on behalf of the City consisting of Special Tax Revenues (including amounts paid by property owners pursuant to Special Tax billings by the Finance Director), (ii) amounts received from or on behalf of the Agency constituting Tax Increment Revenues, and (iii) any amounts required by the Fiscal Agent Agreement to be deposited therein. The City shall promptly remit any such amounts received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing, (i) any Revenues constituting payment for Administrative Expenses shall be deposited by the Finance Director in the Administrative Expense Fund (and the Fiscal Agent shall remit to the Finance Director for such purpose any Special Taxes received by the Fiscal Agent pursuant to a billing to property owners in the District pursuant to the Fiscal Agent Agreement, to the extent that the Finance Director advises the Fiscal Agent of the portion of the amounts so billed that are to be used to pay

Administrative Expenses), (ii) any proceeds of Special Tax Prepayments shall be transferred by the Finance Director to the Fiscal Agent for deposit by the Fiscal Agent (as specified in writing by the Finance Director to the Fiscal Agent) directly in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement; and (iii) the portion of the Tax Increment Revenues, if any, to be paid to or upon the order of Burbank Collection, Ltd. pursuant to the Fiscal Agent Agreement shall be remitted by the Fiscal Agent to the applicable party pursuant to the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the City.

On the Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund (a) prior to the date on which amounts are released from the Escrow Fund pursuant to the Fiscal Agent Agreement, all amounts then on deposit in the Special Tax Fund; and (b) thereafter, an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Finance Director, the Administrative Expense Fund to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held in trust by the Finance Director for the benefit of the City, shall be disbursed as provided below, and are not pledged as security for the Bonds.

Amounts in the Administrative Expense Fund will be withdrawn by the Finance Director and paid to the City or its order upon receipt by the Finance Director of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance, and the nature of such Administrative Expense or Cost of Issuance. Amounts deposited to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement or transferred from the Costs of Issuance Fund to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement. Annually, on the last day of each Fiscal Year commencing with the last day of Fiscal Year 2006-2007, the Finance Director shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$20,000 that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Fund.

Moneys in the Administrative Expense Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Finance Director in the Administrative Expense Fund to be used for the purposes of such fund.

Escrow Fund. See the description of this fund under the heading "SECURITY FOR THE BONDS—Escrow Fund" in the body of the Official Statement. Moneys in the Escrow Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be transferred by the Fiscal Agent to the Bond Fund on the Business Day prior to each Interest Payment Date.

### **Covenants of the City**

The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Revenues and the amounts in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, the Special Tax Fund and the Escrow Fund.

In order to prevent any accumulation of claims for interest after maturity, the City may not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and may not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

The City will not encumber, pledge or place any charge or lien upon any of the Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien under the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and to the Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund, the Special Tax Fund, the

Improvement Fund, the Escrow Fund, and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

The City will comply with all applicable provisions of the Law and of any other applicable law in administering the District, and completing the acquisition of the Project.

It is expected that the Tax Increment Revenues, amounts on deposit in the Capitalized Interest Account (including the earnings thereon), and the earnings on amounts in the Escrow Fund and the Reserve Fund, are expected to be sufficient to pay the scheduled debt service on the Bonds. Nevertheless, on the forty-fifth day prior to each Interest Payment Date which occurs following the transfer of amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement (and after any transfers from the Reserve Fund pursuant to the Fiscal Agent Agreement to the Bond Fund to occur on each such forty-fifth day prior to the respective Interest Payment Date), the Fiscal Agent shall determine the difference between the amount then available in the Bond Fund and the Special Tax Fund to pay debt service due on the Bonds on the next succeeding Interest Payment Date and the debt service so due and payable. In the event of a shortfall in amounts needed to pay the scheduled debt service on any such Interest Payment Date, the Fiscal Agent shall inform the Finance Director in writing of the amount of such shortfall and the Finance Director shall, on or before the thirtieth day prior to such Interest Payment Date, send a Special Tax bill to each of the applicable landowners in the District, allocating a portion of the amount of the shortfall to each parcel in the District according to the Rate and Method of Apportionment of Special Taxes. The Special Tax bills shall provide that (a) any amount so billed is due and payable on the date which is three Business Days prior to the respective Interest Payment Date, (b) that payment shall be made directly to the Fiscal Agent (and the Fiscal Agent shall deposit any amount so received to the Special Tax Fund), and (c) that penalties and interest will accrue on any amount not paid by the due date. The Fiscal Agent shall provide written notice to the Finance Director of any amounts received by it as a payment by a property owner of Special Taxes. The Finance Director may also send Special Tax bills from time to time to the property owners in the District, in accordance with the Rate and Method of Apportionment of Special Taxes, in order to pay Administrative Expenses if amounts in the Administrative Expense Fund are insufficient for such purposes, or may include amounts for such purpose in the Special Tax bills, if any, sent to the landowners in the District pursuant to the foregoing provisions of this paragraph.

Notwithstanding the foregoing, if for any reason the Fiscal Agent fails to act in accordance with the foregoing provisions of the Fiscal Agent Agreement, the Finance Director shall take all actions necessary to collect sufficient Special Taxes, in accordance with the Rate and Method of Apportionment of Special Taxes, to pay debt service due on the Bonds in the event that amounts on deposit in the Special Tax Fund and the Bond Fund (including the Capitalized Interest Account) are not sufficient for such purpose, and to replenish the Reserve Fund to the amount of the Reserve Requirement in effect from time to time.

Pursuant to Section 14-2073 of the Law, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as

hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The Finance Director shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 2 and December 2 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City. If the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer such action if the amount in the Reserve Fund is at least equal to the Reserve Requirement.

The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds. If necessary, the City may use amounts in the Reserve Fund, amounts on deposit in the Administrative Expense Fund, and any other funds available to the District, including amounts advanced by the City, in its sole discretion, to be repaid by the District as soon as practicable from amounts described in the preceding clauses, to satisfy its obligations described in this paragraph.

The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered a default under the Fiscal Agent Agreement; however, the Participating Underwriter or any holder or beneficial owner of the Bonds may

take such actions as may be necessary and appropriate to compel performance by the City of its obligations thereunder, including seeking mandate or specific performance by court order.

An owner of real property in the District as of the Closing Date has also executed a continuing disclosure agreement for the benefit of the holders and beneficial owners of the Bonds. Any Participating Underwriter or holder or beneficial owner may take such actions as may be necessary and appropriate directly against such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

The City covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

The City covenants not to exercise its rights under the Law or the California Government Code to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

The City shall maintain the Project as a public parking facility, open to the public without preference or priority for any specific person or entity, so long as the Bonds are Outstanding. Notwithstanding the foregoing, (A) the City may convey the Project to the Parking Authority of the City so long as the Parking Authority agrees to the foregoing requirement, and (B) the City or the Parking Authority may charge for parking at the Project as determined by the City or the Parking Authority, as applicable, in its discretion, including charging different rates for different classes of users, so long as the City is not in violation of its covenant regarding private activity bonds in the Fiscal Agent Agreement.

The Fiscal Agent shall hold the Note, as assignee of the beneficiary thereof, for the benefit of the Bondowners and, under the circumstances described below, for the benefit of Burbank Collection, Ltd. or its assignee. The Fiscal Agent shall release the Note to Burbank Collection, Ltd. or its assignee under the circumstances described below. All payments by the Agency on the Note shall be remitted to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund; provided, however, that (i) in the event that Bonds are redeemed from amounts in the Escrow Fund pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall, from and after any such redemption, promptly remit to Burbank Collection, Ltd. or its written assignee a portion of all payments made on the Note to the Fiscal Agent in respect of the originally scheduled debt service on the Bonds equal to a fraction, the numerator of which is equal to the principal amount of the Bonds so redeemed and the denominator of which is the principal amount of the Bonds outstanding immediately prior to such redemption, and (ii) the Fiscal Agent shall promptly remit to Burbank Collection, Ltd. or its written assignee any portion of any payment received by it on the Note which the Agency has identified to the Fiscal Agent in writing as constituting a Shortfall Payment (as defined in the Note).

The City agrees in the Fiscal Agent Agreement to take all actions necessary to enforce the obligations of the Agency under the Note which require the payment of Tax Increment Revenues to the beneficiary of the Note, so long as the Note is held by the Fiscal Agent under the Fiscal Agent Agreement. The Fiscal Agent Agreement provides that the Fiscal Agent shall consent to amendments to the Note as requested by the City, upon receipt of an Officer's Certificate setting forth the terms of the amendment and otherwise certifying that the amendment is permitted under the terms of the OPA and has been agreed to by the Agency. Upon the earlier of (i) payment in full of the Bonds, or (ii) legal defeasance of the Bonds, the Fiscal Agent shall (a) if such payment in full or legal defeasance occurs prior to December 1, 2023, endorse over, reassign and return the Note to the Burbank Collection, Ltd., or (b) if such payment in full or legal defeasance occurs on or after December 1, 2023, endorse over and return the Note to the Agency.

### **Investments**

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest, to the extent reasonably practicable, any such moneys in Permitted Investments described in clause (g) of the definition thereof in the Fiscal Agent Agreement, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder.

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment, which in any event by their terms mature prior to the date on which such moneys are required to be paid out. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

Notwithstanding the preceding two paragraphs, (a) amounts deposited to the Escrow Fund and the Capitalized Interest Account on the Closing Date shall be invested in the specific investment identified for such fund and account in the Fiscal Agent Agreement, and (b) any cash deposited with the Fiscal Agent as described in the Escrow Fund provisions of the Fiscal Agent Agreement shall be invested in the corresponding Permitted Investment described in applicable Escrow Fund provisions of the Fiscal Agent Agreement.

The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. The Fiscal Agent will not be required to determine the legality of any investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Code) at Fair Market Value. The Fiscal Agent shall have no duty in connection with the determination of Fair Market Value other than to

follow the investment direction of an Authorized Officer in any written direction of any Authorized Officer. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

#### **Liability of the City**

The City's obligations under the Fiscal Agent Agreement are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Revenues and the amounts in the Special Tax Fund, the Escrow Fund, the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein) and the Reserve Fund created under the Fiscal Agent Agreement.

The City shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of the Fiscal Agent Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City and the Finance Director may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the City or the Finance Director shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Fiscal Agent Agreement) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, an Independent Financial Consultant or a Tax Consultant, and such certificate shall be full warrant to the City and the Finance Director for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the City or the Finance Director may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations under the Fiscal Agent Agreement, the City and/or the Finance Director may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith under the Fiscal Agent Agreement, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

### **The Fiscal Agent**

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act anything therein to the contrary notwithstanding.

The City may at any time remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and be subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to,

then the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the provisions of the Fiscal Agent Agreement within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, or reasonable agency, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent thereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent thereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Finance Director may designate a successor Fiscal Agent qualified to act as Fiscal Agent thereunder.

The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Fiscal Agent Agreement; but in the case of any such certificates or opinions by which any provision of the Fiscal Agent Agreement are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Fiscal Agent Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Fiscal Agent Agreement, and the Fiscal Agent shall not be

under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Fiscal Agent Agreement, or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it shall actually receive.

In order to perform its duties and obligations under the Fiscal Agent Agreement, the Fiscal Agent may employ such persons or entities as it deems necessary or advisable. The Fiscal Agent shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed in good faith by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be in the Fiscal Agent Agreement specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

## **Amendment of the Fiscal Agent Agreement**

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Revenues superior to or on a parity with the pledge and lien created for the benefit of the Owners of the Bonds (except as otherwise permitted by the Law, the laws of the State of California or the Fiscal Agent Agreement), or (iii) reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

- (b) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

- (c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City or the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; and

- (d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds.

## **Discharge of the Bonds and the Fiscal Agent Agreement**

The City shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

- (a) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

- (b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts as

provided in the Fiscal Agent Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (a), (b) or (c) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent. Notwithstanding the foregoing, the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, to pay all amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Law.

## **APPENDIX B**

### **PROPOSED FORM OF BOND COUNSEL OPINION**

[Closing Date]

City Council  
City of Burbank  
301 East Olive Avenue  
Burbank, California 91502

OPINION: \$6,155,000 City of Burbank Community Facilities District No. 2005-1  
(The Collection Public Parking Facility) 2006 Special Tax Bonds

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Burbank (the "City") of its \$6,155,000 City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) 2006 Special Tax Bonds (the "Bonds") pursuant to the City of Burbank Special Tax Financing Improvement Code, being Article 20 of Chapter 14 of the City's Municipal Code (the "Law"), a Fiscal Agent Agreement, dated as of February 1, 2006 (the "Fiscal Agent Agreement"), by and between the City for and on behalf of the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) (the "District"), and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"), and a resolution adopted by the City Council of the City on October 25, 2005 (the "Resolution"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a charter city, duly organized and validly existing under the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the City, for and on behalf of the District, and constitutes a valid and binding obligation of the City enforceable upon the City.
3. Pursuant to the Law, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City on behalf of the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
5. Subject to the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals

and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the City to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for the federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**APPENDIX C**  
**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

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**RATE AND METHOD OF APPORTIONMENT FOR  
CITY OF BURBANK  
COMMUNITY FACILITIES DISTRICT NO. 2005-1  
(THE COLLECTION PUBLIC PARKING FACILITY)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility) ("CFD No. 2005-1") and collected each Fiscal Year commencing in Fiscal Year 2005-06, in an amount determined by the City Council of the City of Burbank, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2005-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acre or Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2005-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2005-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2005-1 or any designee thereof of complying with City, CFD No. 2005-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2005-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2005-1 for any other administrative purposes of CFD No. 2005-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**"Assessor's Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

**"Assessor's Parcel Map"** means an official map of the County Assessor of the County designating parcels by Assessor's parcel number.

**"Bonds"** means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued with respect to CFD No. 2005-1 under the Act.

**"Burbank Entertainment Village, L.L.C. Property"** means any Assessor's Parcel or other property within the boundaries of CFD No. 2005-1 that is owned by Burbank Entertainment Village, L.L.C. In the event that an Assessor's Parcel that was conveyed in fee to an entity other than Burbank Entertainment Village, L.L.C. is subsequently acquired by Burbank Entertainment Village, L.L.C., that Assessor's Parcel shall not be considered Burbank Entertainment Village, L.L.C. Property, but shall remain subject to the Special Tax obligation and shall be classified and taxed according to its land use and development status.

**"CFD Administrator"** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**"CFD No. 2005-1"** means the City of Burbank Community Facilities District No. 2005-1 (The Collection Public Parking Facility).

**"City"** means the City of Burbank.

**"Council"** means the City Council of the City.

**"County"** means the County of Los Angeles.

**"Fiscal Year"** means the period starting July 1 and ending on the following June 30.

**"Floor Area"** means for Non-Residential Property, the total of the gross area of the floor surfaces within the exterior wall of the building, not including space devoted to residential dwelling units, stairwells, basement or garage storage, required corridors, public restrooms, elevator shafts, light courts, vehicle parking and areas incident thereto, mechanical equipment incidental to the operation of such building, and covered public pedestrian circulation areas, including atriums, lobbies, plazas, patios, decks, arcades and similar areas, except such public circulation areas or portions thereof that are used solely for commercial purposes. The amount of Floor Area shall be determined by reference to the building permit(s) issued by the City, or if square footage is not available from this source, as otherwise determined by the CFD Administrator.

**"Indenture"** means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

**"Maximum Special Tax"** means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

**"Non-Residential Property"** means for each Fiscal Year, all Assessor's Parcels of Taxable Property for which a building permit was issued for a non-residential use after January 1, 2005 and prior to January 1 of the previous Fiscal Year, excluding Parking Property.

**"Other Taxable Property"** means Taxable Residential Property, Taxable Parking Property, Public Property, and Property Owner Association Property.

**"Outstanding Bonds"** means all Bonds which are deemed to be outstanding under the Indenture.

**"Owner Participation Agreement"** means the Amended and Restated Owner Participation Agreement by and between the Redevelopment Agency of the City of Burbank and Champion Realty, LTD, a California limited partnership, dated as of December 2, 2004.

**"Parking Property"** means, for each Fiscal Year, any Assessor's Parcel for which a building permit has been issued for the construction of a garage, parking lot or parking structure as of January 1 of the prior Fiscal Year, and on which is located no other Non-Residential Property.

**"Proportionately"** means, for Non-Residential Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Non-Residential Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property.

**"Property Owner Association Property"** means, for each Fiscal Year, any property within the boundaries of CFD No. 2005-1, excluding Parking Property, that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

**"Public Property"** means, for each Fiscal Year, any property within CFD No. 2005-1, excluding Parking Property, that is owned by the federal government, the State, the County, the City or any other local government; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, and any property described in Sections 53317.3 or 53317.5 of the Act, shall be not be considered Public Property but shall be classified and taxed in accordance with its use.

**"Residential Property"** means, for each Fiscal Year, all Assessor's Parcels for which a building permit has been issued for purposes of constructing one or more residential dwelling units as of January 1 of the prior Fiscal Year.

**"Special Tax"** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

**"Special Tax Requirement"** means that amount required in any Fiscal Year for CFD No. 2005-1 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vi) a credit for funds available to reduce the annual Special Tax levy whether through the Owner Participation Agreement or otherwise, as determined by the CFD Administrator pursuant to the Indenture.

**"State"** means the State of California.

**"Taxable Parking Property"** means all Assessor's Parcels of Parking Property which have not been exempted pursuant to Section E.

**"Taxable Property"** means all of the Assessor's Parcels within the boundaries of CFD No. 2005-1 which are not exempt from the Special Tax pursuant to law or Section E below.

**"Taxable Residential Property"** means all Assessor's Parcels of Residential Property which have not been exempted pursuant to Section F.

**"Trustee"** means the trustee or fiscal agent under the Indenture.

**"Undeveloped Property"** means, for each Fiscal Year, all Taxable Property not classified as Non-Residential Property or Other Taxable Property.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2005-1 shall be classified as Non-Residential Property, Undeveloped Property, or Other Taxable Property and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

**C. MAXIMUM SPECIAL TAX**

**1. Non-Residential Property**

The Maximum Special Tax for each Assessor's Parcel classified as Non-Residential Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The Fiscal Year 2005-2006 Assigned Special Tax for Non-Residential Property shall be \$19.131 per square foot of Floor Area.

b. Backup Special Tax

The Fiscal Year 2005-2006 Backup Special Tax for CFD No. 2005-1 shall be equal to \$748,030. At the time a building permit is issued for an Assessor's Parcel of Non-Residential Property, the Backup Special Tax for such parcel shall be calculated. The Backup Special Tax for each Assessor's Parcel of Non-Residential Property shall equal the Backup Special Tax for all of CFD No. 2005-1 multiplied by the quotient of the Floor Area on such Assessor's Parcel divided by the Floor Area of all Assessor's Parcels of Non-Residential Property in existence at such time.

c. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2006, the Assigned Special Tax and Backup Special Tax shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**2. Undeveloped Property and Other Taxable Property**

The Fiscal Year 2005-2006 Maximum Special Tax for Undeveloped Property and Other Taxable Property shall be \$1,585,928 per Acre.

On each July 1, commencing on July 1, 2006, the Maximum Special Tax for Undeveloped Property and Other Taxable Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2005-2006 and for each following Fiscal Year, the Council shall levy the Special Tax until the amount of Special Tax equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Non-Residential Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement for after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Non-Residential Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel; and

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Property Owner Association Property, Taxable Residential Property, Taxable Parking Property, and Public Property at up to the Maximum Special Tax for Other Taxable Property.

**E. EXEMPTIONS**

The Special Tax shall not be levied on up to 324,190 building square feet of Parking Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Parking Property. Parking Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

In addition, no Special Tax shall be levied on Burbank Entertainment Village, L.L.C. Property. However, should an Assessor's Parcel no longer be classified as Burbank Entertainment Village, L.L.C. Property or Parking Property, its tax-exempt status will be revoked.

Public Property and Property Owner Association Property are not exempt from the Special Tax.

**F. RELEASE OF LIEN**

Residential Property is not expected to be subject to the Special Tax. Upon issuance of a building permit for such property, up to 118 units of Residential Property shall be released from the obligation to pay the Special Tax and the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the release of the Special Tax lien on such Residential Property. Any units of Residential Property in excess of the 118 units specified above shall be considered Taxable Residential Property and subject to the levy of the Special Tax, and shall be taxed as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

**G. APPEALS AND INTERPRETATIONS**

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the calculation of the Special Tax is in error. The CFD

Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Council by filing a written notice of appeal with the City clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

#### **H. MANNER OF COLLECTION**

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, and may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

#### **I. PREPAYMENT OF SPECIAL TAX**

The following definition applies to this Section I:

**"Outstanding Bonds"** means all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

##### **1. Prepayment in Full**

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Non-Residential Property or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below)

	Bond Redemption Amount	
plus	Redemption Premium	
plus	Defeasance Amount	
plus	Administrative Fees and Expenses	
less	Reserve Fund Credit	
<u>less</u>	<u>Capitalized Interest Credit</u>	
Total: equals	Prepayment Amount	

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

**Paragraph No.:**

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Non-Residential Property, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Non-Residential Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for the entire CFD No. 2005-1 based on the Non-Residential Property Special Taxes which could be charged in the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

9. Add the amounts computed pursuant to paragraphs 6 and 7 and subtract the amount computed pursuant to paragraph 8 (the "Defeasance Amount").
10. Verify the administrative fees and expenses of CFD No. 2005-1, including the administrative costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
11. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted to the extent that reserve funds drop below 100% of the reserve requirement.
12. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 9 and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 9, 11 and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2005-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2005-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **2. Prepayment in Part**

The Special Tax on an Assessor's Parcel of Non-Residential Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- $P_E$  = the Prepayment Amount calculated according to Section I.1
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax
- A = the Administration Fees and Expenses from Section I.1

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 2005-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage  $(1.00 - F)$  of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

## **J. TERM OF SPECIAL TAX**

The Special Tax shall be levied for a period not to exceed twenty five years commencing with Fiscal Year 2005-06.

**APPENDIX D**  
**APPRAISAL**

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**SELF CONTAINED REPORT**

**OF**

**THAT PORTION OF THE LAND WITH  
RETAIL/RESTAURANT DEVELOPMENT AND  
ADDITIONAL PARKING ENTITLEMENTS**

**LOCATED AT**

**140 EAST PALM STREET AVENUE**

**BURBANK, CALIFORNIA 91502**

**AS OF**

**OCTOBER 15, 2005**



October 20, 2005

Jennifer Mack  
Redevelopment Project Manager  
City of Burbank Redevelopment Agency  
275 East Olive Avenue  
Burbank, California 91510

**Re: City of Burbank CFD #2005-1**

Dear Ms. Mack:

At your request, we have physically inspected the land located at 140 East Palm Street Avenue, Burbank, California 91502 in order to prepare an appraisal of the subject property.

Based on our investigation, together with the data and analysis contained in the accompanying report, it is our opinion that on October 15, 2005 the value of the portion of the land to be allocated to the retail restaurant improvements was Three Million Four Hundred Twenty Two Thousand Dollars.

**\$3,422,000.00**

Based on our investigation, together with the data and analysis contained in the accompanying report, it is our opinion the value of the additional public parking spaces to be owned by the City of Burbank but available to the commercial development on October 15, 2005 was Five Hundred Thousand Dollars.

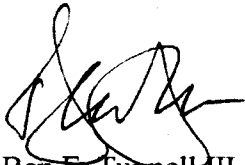
**\$500,000.00**

Jennifer Mack  
October 20, 2005  
Page 2

It is our opinion that, based on the data and analysis contained in the accompanying report, it is our opinion that the value of the portion of the land to be allocated to the retail restaurant improvements and the additional public parking spaces to be owned by the City of Burbank but available to the commercial development of the subject property on October 15, 2005 was Three Million Nine Hundred Twenty Two Thousand Dollars.

**\$3,922,000.00**

Very truly yours,



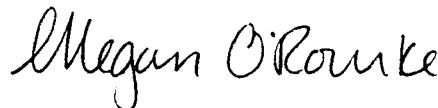
Ben F. Tummell III  
Chairman  
Certified General Real Estate Appraiser  
#AG006964



John J. Griffey  
President  
Certified General Real Estate Appraiser  
#AG011138



Stephen Rich, MAI  
Senior Appraiser  
Certified General Real Estate Appraiser  
#AG010280



Megan O'Rourke  
Vice Chairman & General Counsel

BT:kp  
N2632-2717-rpt update

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## **LIMITING CONDITIONS**

We believe the information furnished to us is reliable but assume no responsibility for its accuracy.

Based upon the specific direction of the client we have assumed that Condominium Tract Map 062742 has received final approvals, has been recorded, and all air space subdivisions are as specified in our report.

All financial statements, operating histories and other data relating to income and expenses attributed to the enterprise or properties have been provided by the owner, or representatives of the owner, and have been accepted without further verification, except as specifically set forth in this report.

We assume no responsibility for legal matters, nor do we render an opinion as to the title of the subject properties. The legal descriptions given in this report were furnished and are assumed to be correct.

This report has been made without benefit of a current termite report, soil or structural analysis by a competent engineer or a building inspection by a certified inspector. We offer no opinion as to the structural integrity of retaining walls or foundations, nor to present or future adverse effects due to the presence of asbestos, soil contaminants or other natural or man-made pollutants.

We are unaware of any lawsuits or contractual obligations, other than those specifically noted in this report, that would enhance or diminish the value of the subject property or its assets. If the presence of such matters is revealed, we reserve the right to modify our opinions expressed in this report.

Possession of this report does not carry with it the right of publication, nor may it be used for any purpose by any but the client without the previous written consent of the client and BTI Appraisal. Testimony or attendance in court by reason of this appraisal shall not be provided unless previous arrangements have been made.

## **SCOPE OF THE APPRAISAL**

The following steps were taken in arriving at the final estimate of value included in the appraisal report of the subject property:

1. After receiving the assignment, a preliminary search was made to determine market trends and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while visiting the Subject property, the appraiser is not an expert in such matters as pest control, structural engineering, hazardous waste, soil slippage, electrical, plumbing, roof, foundation systems, etc., and no warranty is given with regard to these elements. As needed, inspections by various licensed professionals within these fields might be recommended with the final estimate subject to their findings.
3. The appraisal report was then completed in accordance with Standards dictated by the Appraisal Foundation, the California Debt and Investment Advisory Commission Guideline, the Code of Professional Ethics, the Standard of Professional Appraisal Practice of the American Institute and guidelines. The report includes such data and information needed to lead the reader to a similar estimate of market value conclusion.

## **IDENTIFICATION OF REAL ESTATE BEING APPRAISED**

We will appraise a 100% interest in the land and parking entitlement associated with the "to be built 50,000 square feet retail restaurant space" described in the Development Agreement between the City of Burbank and Champion Realty Ltd., as that certain real property situated in the State of California, County of Los Angeles, City of Burbank, and more particularly described in the Legal Description Addendum 3. A tentative tract map #062742 has been submitted for approval for condominium purposes (Addendum 4).

This property is commonly referred to as:

140 East Palm Street Avenue  
Burbank, California 91502  
Los Angeles County  
Thomas Brothers Map Reference: 533-G7-H7

## **TAX INFORMATION**

Assessor Parcel Number:	2453-005-059	
Assessed Value:	Land	\$ 4,738,791
	Improvements	<u>-0-</u>
	Total	<u>\$ 4,738,791</u>
Tax Rate Area:	2536	
Taxes:	\$65,565 (2005)	

The assessed value and real property taxes of the subject are the result of State Proposition 13, a statewide ballot issue passed in 1978. The proposition limits taxes to 1% of the property's assessed value, plus a factor for bonded county or city debt. Assessed values are modified upon most transfers based upon the market value of the property at that time. Finally, all assessed values can be adjusted upward 2% annually. In our analysis of the subject property, we have considered both the long and short term effects on value due to any change in the tax liability of the property. Our records indicate the property taxes are not currently delinquent.

## **THE INTENDED USE OF THE APPRAISAL**

The intended use of this appraisal is to assist the client, City of Burbank, in reviewing the asset value of the subject property for Public Bond Financing.

## **PROPERTY INTEREST BEING APPRAISED**

We are appraising the Fee Simple interest in the subject property, defined as: "Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation".<sup>1</sup> Our opinion of value does not include personal property, fixtures and intangibles, and our opinion of value is not effected by the omission of the above mentioned items.

## **DATE OF VALUE**

The appraiser physically inspected the subject property on July 8, 2005. At the request of City of Burbank, the value of this report is specifically applicable to October 15, 2005.

## **MARKET VALUE DEFINITION**

“Market Value” is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: buyer and seller are typically motivated; both parties are well informed or well advised, and acting in what they consider their best interests; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>5</sup> The value which is contained in this report was not based on a requested minimum value.

## **EXPOSURE TIME**

In assessing the subject's retrospective exposure time, we are assuming that the subject would have been professionally marketed through a qualified broker or owner, that the property would have been listed at a reasonable asking price with an owner willing to accept a reasonable offer, and that the buyer and seller will not be influenced by undue Stimuli. Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of this appraisal; a retrospective time estimate based upon an analysis of past events assuming a competitive and open market.<sup>6</sup> Based on our analysis, the subject's exposure time is estimated to be within 5 months.

## **DATA COLLECTION PROCESS**

The extent of our data collection process includes an investigation of all pertinent property attributes of the subject property, replacement costs, recent sales of land and improved properties similar to the subject and any prior sales of the subject from our various data sources. Data systems we maintain and utilize include, but are not limited to, the following:

NDC data, provided by National Data Collective; this comprehensive on-line database provides information on sales, property data, FEMA flood map information, and parcel maps for properties throughout the United States.

Win2Data, provided by First American Real Estate Solutions; this is also a comprehensive on-line database providing a second, confirming source for data used in our reports.

AIRD, provided by FNC, Inc; this source provides detailed information on sales and rents of residential income properties throughout Southern California.

CoStar Comps, provided by the CoStar Group, is an on-line database which provides detailed sales and financial information for commercial, industrial, special purpose and apartment properties throughout our market area.

Marshall Valuation Services, provided by Marshall & Swift, L.P.; this is the industry-standard provider of up-to-the-moment construction cost data worldwide. We subscribe to the computerized versions of both the Commercial Estimator and the Residential Estimator; both are detailed cost estimating systems that are driven by the zip code of the property, allowing for refinements down to current conditions in a particular neighborhood.

Access to Real Estate Multiple Listing Services; on-line connections to MLS cooperatives throughout most of Southern California allow us to gather up-to-the-minute information on property sales and current listings. These data sources are updated continuously and historical data is maintained in our library.

In addition to our in-house data systems we interview, by telephone or in person, real estate brokers, property owners, buyers and sellers of property, and tenants, as well as governmental and non-governmental entities having jurisdiction or influence in current market trends and attitudes. We then analyze and reconcile the collected data to form our opinion of value.

## **SALES AND LISTING HISTORY OF SUBJECT**

The subject property is currently owned by Burbank Entertainment Village LLC, but is expected to be conveyed to Burbank Collection Ltd. on or before September 30, 2005. Based on a review of public records, the subject property has not been sold or listed in the last five years.

We are aware that the subject property is currently subject to a Purchase Contract dated June 17, 2003 by and among Burbank Entertainment Village, LLC, Champion Realty, Ltd. and American Multi-Cinema, Inc. We have reviewed this Purchase Contract and its three subsequent amendments dated April 27, 2004, May 28, 2004 and December 2, 2004. The purchase price under the original contract was initially \$5,000,000 but was reduced to \$4,600,000 by the second amendment and further reduced to \$3,357,652 by the third amendment. Due to the complicated nature of this transaction and the various covenants imposed on all parties to the contract, this purchase price is not considered to be representative of the subject property's fair market value.

## **MARKETING TIME**

In assessing the subject's expected marketing time, we are assuming that the subject will be professionally marketed through a qualified broker or owner, that the property will be listed at a reasonable asking price with an owner willing to accept a reasonable offer, and that the buyer and seller will not be influenced by undue stimuli. At the present time, we are unaware of any new developments expected to occur in the near future which would negatively or positively affect the marketability of the subject compared to recent trends of competitive properties in the area. Marketing time in the subject area, based on current supply and demand, is typically within 5 months.

## REGIONAL ANALYSIS

Los Angeles County is the most economically, geographically and culturally diverse county in the State of California. It is the largest standard metropolitan statistical area (SMSA) in the United States and encompasses over 4,050 square miles. The County is bordered by Ventura County to the northwest, Kern County to the north, San Bernardino County to the east, Orange County to the southeast, and the Pacific Ocean to the west. The County's land area offers a variety of terrain, including mountains, deserts, islands and coastal shores and beaches.

The County's physical features, both natural and manmade, include mountains, freeways and waterways, including 81 miles of coastline. These features have geographically partitioned the County into various submarkets, which have themselves been further subdivided. Areas in Los Angeles County, typically referred to by common name and with a high recognition factor include: the Palmdale-Antelope Valley, the San Fernando Valley, Downtown, Hollywood, the San Gabriel Valley, the Los Angeles Basin, the Long Beach and San Pedro port areas, the South Bay, and the Westside.

The physical, financial and governmental hub of Los Angeles County is the City of Los Angeles. In addition to being the site of the City government, it is the seat of the Los Angeles County government, which consists of five elected supervisors with a rotating chairman. The County maintains its own police and fire departments, sanitation district, sewer and water departments, and legal department. Traditional mandatory services include law enforcement, property assessment, tax collection, public health protection, public social services and relief to indigents. Among the specialized services are flood control, water conservation, parks and recreation, and many diversified cultural activities. There are 88 cities within the County, each with its own city council. All of the cities, in varying degrees, contract with the County to provide municipal services. Thirty-seven contract for nearly all of their municipal services.

As noted, various submarkets within the County are themselves subdivided by natural and manmade barriers, as well as by specific areas of interest. Many districts are located in the City of Los Angeles, and include: Hollywood, which is typically referred to as the "Nation's Film Capitol" and Koreatown, located just west of the downtown business district. The core of Koreatown is located between Wilshire and Olympic Boulevards. Other districts include the mid-Wilshire district, which is a commercial corridor that runs west from downtown Los Angeles to Fairfax Avenue; Beverly Hills; Westwood, further west of downtown, which is the location of the University of California Los Angeles (UCLA) and is a thriving business district in its own right. Past Westwood is the incorporated City of Santa Monica, which has seen an increase in businesses locating there in recent years.

Southwest of the Los Angeles central business district is the region of South Bay, with Los Angeles International Airport as its focal point. This area also includes the incorporated cities of El Segundo, Torrance, Manhattan Beach, and Inglewood. The South Bay is a major office and industrial submarket, with a concentration of businesses in the aerospace and defense-related industries.

To the south are the Gateway Cities with the ports of San Pedro (a community of the City) and Long Beach. These two ports are the largest transshippers of raw and manufactured goods in the United States. The ports are able to ship to, and receive goods directly from, Pacific Rim countries, which not only include traditional trading partners such as Japan, Taiwan and Hong Kong, but newly emerging manufacturing nations such as Korea, Singapore, Vietnam, Thailand and the People's Republic of China.

To the southeast of the downtown area is the Los Angeles Basin, where industrial and manufacturing cities such as Vernon, the City of Industry and the City of Commerce are located. Businesses here participate in a wide variety of ventures, including meatpacking and steel manufacturing.

To the east and northeast is the San Gabriel Valley which includes Pasadena and Glendale (both major office submarkets), West Covina and Pomona, where the Los Angeles County Fairgrounds is located.

To the northwest is the San Fernando Valley, which includes the incorporated City of Burbank, and the communities of Studio City, Sherman Oaks, Encino and Woodland Hills. These highly distinct communities are within the City of Los Angeles. Historically retail and office centers have located along Ventura Boulevard, a major east-west thoroughfare running along the southern edge of the valley; however, more growth is occurring north of Ventura Boulevard as the population increases.

To the north is the Antelope Valley. Communities in this area, such as Lancaster, Palmdale and Santa Clarita, are experiencing rapid growth as they attract industries needing more space and homebuyers seeking more affordable housing and sites to build.

Connecting these various submarkets within the County is the most extensive freeway system in the United States. The primary freeways in the County are Interstate 5, which runs from the Mexican border to the State of Oregon, and Interstate 10, which connects Arizona to the Pacific Coast. Interstate 5 is the major north-south freeway in the state, while Interstate 10 is the major east-west traffic carrier. Other freeways include: the Harbor (110), the Ventura (101), the Hollywood (134), the San Diego (405), the Long Beach (710), the Foothill (210), the Simi Valley (118), Artesia (91), Anderson (105), and the San Gabriel River (605). In addition there are numerous state-maintained routes that are capable of carrying high traffic concentrations.

Public transportation is provided primarily by the Metropolitan Transit Authority (MTA) and is supplemented by local bus companies in several communities. The MTA operates a light rail link from downtown Los Angeles to Long Beach in the south, to the LAX Airport, and the recently opened link to Pasadena. Current expansion projects include lengthening the San Fernando Valley line out to Warner Center and a new line from Chinatown to East LA. The Union Pacific Railroad provides rail transportation for freight and goods, while AMTRAK provides both long and short-haul public rail transportation.

## **The Economy**

The diversity of its industrial and economic base has long been the key to Los Angeles County's economic strength. In recent years there have been changes in the industries that drive the regional economy. Historically the county has had a three-tiered base economy of aerospace, entertainment and tourism. The economy is now driven by 16 based industries, ranging from professional business services and apparel manufacturing to petroleum production. LA has about 210,000 small businesses, which is nearly twice as many as any other region in the country. At the same time, LA is also the international headquarters for many large corporations such as ARCO, The Walt Disney Company, Hughes Electronics, Hilton Hotels, Mattel, Occidental Petroleum, Blue Cross, Health Net and Litton Industries. Tourism remains strong in the region, attracting tourists from all over the world to Hollywood, Disneyland, Southern California beaches, etc.

Vacancy rates for housing in Los Angeles County are extremely low. Developers are constantly searching to find sites large enough for additional construction, and the solution often includes redevelopment of existing sites. As for commercial development, the Staples Center in downtown Los Angeles, completed in September 1999, is now the permanent home arena for the NBA's Los Angeles Lakers, Clippers and the NHL's Kings, as well as the host facility for numerous concerts and special events. The Hollywood & Highland Center, which opened in November 2001, consists of a 3,300 seat auditorium for the Academy Awards, a four star hotel by Marriott, and various shopping and entertainment venues. The Disney Concert Hall in downtown Los Angeles opened in December 2003 and is already a world-renowned venue for performers and patrons alike.

Industrial development continues to expand in the Los Angeles Basin. One factor that has greatly encouraged this growth is the Alameda Corridor Project. Commencing on April 15, 2002 the Alameda Corridor opened a 20-mile freight rail expressway between the ports of Long Beach and San Pedro to the transcontinental rail yards and railroad mainlines near downtown Los Angeles. Not only did this cut commute time in half for freight trains, it has more than tripled the amount of freight traffic that can pass through the area.

The U.S. Department of Labor reported an unemployment rate of 8% in 1995 that followed a steady decline through 2000 to below 5%. The year 2001 felt a sharp increase, rising to just under 7%, where it remained through 2002 and 2003. Since that time, the unemployment rate has again followed a steady decline to the 5.8% level which was recorded in February of 2005. According to the Los Angeles County Economic Development Corporation the top five employment sectors are direct international trade, tourism, motion picture/TV production, wholesale trade & logistics and technology. The technology field is seeing a flourish in bio-med, digital information and environmental technologies, as well as in a new area synthesizing technology with creative resources. Los Angeles is also the nation's major manufacturing center.

## Demographics

Los Angeles County has the largest population (10,179,716 as of July 2004) of any county in the nation, and is exceeded by only eight states. Approximately 28 percent of California's residents live in Los Angeles County. The population in Los Angeles County is expected to increase to 12,800,000 by the year 2020 according to a study released by the Southern California Association of Governments (SCAG). Each of the major submarkets in Los Angeles County is anticipating a substantial increase in population.

## Residential Market

Since June 2003 year-over-year home prices in LA County have risen at least 20%. March of 2005 saw home values reach a record median price of \$460,000. For Los Angeles County, this median price is 19.5% higher than the median sale price of March 2004. Condominium sales saw a median price of \$360,000, up 16.1% from March of 2004. The number of sales in March 2005 was recorded at 32,674 closed transactions, the second strongest March sales since 1987. Tight inventory has led to multiple offers being made for properties in some neighborhoods. And as home prices continue to rise, buyers who have been priced out of this market are increasing the demand for condominiums.

RESIDENTIAL REAL ESTATE ACTIVITY											
United States											
	2002	2003	2004	03Q1	03Q2	03Q3	03Q4	04Q1	04Q2	04Q3	04Q4
Total Permits (year-to-date)	1,728,556	1,862,365	2,024,211	391,197	899,481	1,403,731	1,862,365	444,236	1,012,069	1,545,402	2,024,211
% Chg Year Ago	7.3%	7.7%	8.7%	3.9%	5.6%	7.5%	7.7%	13.6%	12.5%	10.1%	8.7%
Single Family Housing Permits	1,321,145	1,443,604	1,572,522	302,258	703,410	1,098,811	1,443,604	350,245	802,787	1,219,842	1,572,522
% Chg Year Ago	8.2%	9.3%	8.9%	3.8%	6.3%	9.0%	9.3%	15.9%	14.1%	11.0%	8.9%
Multi Family Housing Permits	407,411	418,761	451,689	88,939	196,071	304,920	418,761	93,991	209,282	325,560	451,689
% Chg Year Ago	4.6%	2.8%	7.9%	4.2%	3.0%	2.7%	2.8%	5.7%	6.7%	5.9%	7.9%
Median SF Home Prices (NSA)											
% Chg Year Ago											
Existing Home Sales (NSA)											
% Chg Year Ago											
California											
	2002	2003	2004	03Q1	03Q2	03Q3	03Q4	04Q1	04Q2	04Q3	04Q4
Total Permits (year-to-date)	158,488	192,273	207,944	45,443	95,829	143,814	192,273	47,474	104,092	156,076	207,944
% Chg Year Ago	10.4%	21.3%	8.2%	34.0%	30.1%	24.9%	21.3%	4.5%	8.6%	8.5%	8.2%
Single Family Housing Permits	120,783	140,512	150,710	32,477	70,909	106,300	140,512	35,982	78,426	117,532	150,710
% Chg Year Ago	13.7%	16.3%	7.3%	27.8%	22.1%	17.7%	16.3%	10.8%	10.6%	10.6%	7.3%
Multi Family Housing Permits	37,705	51,761	57,234	12,966	24,920	37,514	51,761	11,492	25,666	38,544	57,234
% Chg Year Ago	1.1%	37.3%	10.6%	52.4%	69.8%	51.3%	37.3%	-11.4%	3.0%	2.7%	10.6%
Existing Home Sales (NSA)											
% Chg Year Ago											
Los Angeles County CA											
	2002	2003	2004	03Q1	03Q2	03Q3	03Q4	04Q1	04Q2	04Q3	04Q4
Total Permits (year-to-date)	16,407	20,761	27,429	4,728	9,977	15,078	20,761	5,642	13,467	19,031	27,429
% Chg Year Ago	-9.4%	26.5%	32.1%	59.3%	45.2%	25.9%	26.5%	19.3%	35.2%	26.2%	32.1%
Single Family Housing Permits	8,182	10,234	11,964	2,335	5,127	7,685	10,234	2,660	5,968	8,966	11,964
% Chg Year Ago	-2.1%	25.1%	16.9%	39.2%	29.4%	24.5%	25.1%	13.9%	16.4%	16.7%	16.9%
Multi Family Housing Permits	8,225	10,527	15,465	2,393	4,850	7,393	10,527	2,982	7,519	10,065	15,465
% Chg Year Ago	-15.8%	28.0%	46.9%	85.5%	66.6%	27.4%	28.0%	24.6%	55.0%	36.1%	46.9%
Median SF Home Prices											
% Chg Year Ago											

NSA = Not Seasonally Adjusted

Source: Bureau of Census, National Association of Realtors (Haver Analytics)

Permit data is New Privately Owned Housing Units Authorized

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With the increase of demand, new home starts have accelerated. As seen in the chart below provided by the National Association of Realtors, housing starts have increased dramatically in the county between 2002 and 2004, far surpassing the national and state percentages of activity.

Development of rental properties, on the other hand, is decreasing. The April 15, 2005 edition of the Los Angeles Business Journal recorded a widespread consensus among developers to hold off on building rental properties. Citing rising land costs and construction costs, developers state that the building of apartments no longer is financially sound. Apartment rents have only increased 3.3% in the last year, which cannot compete with the 25% rise in value of condos in the same amount of time. New developments are properties built to sell, so that costs can be incorporated into selling prices. Los Angeles County currently has rental occupancy at 97%, and this saturation may become tighter until developers and buyers can again realize profit in developing rental properties.

Downtown Los Angeles has seen a flurry of residential development. In the February 21, 2005 issue of Downtown Los Angeles New one article documented 122 new developments taking place in all sectors of Downtown. Greatest activity is happening in areas known as Historic Core, South Park and Financial District where defunct buildings are being refurbished into residential units with state-of-the-art amenities. A recent survey showed that half of the units would be sold, half would be rented, and, of the current residents moving in, the median household income would be \$90,000. Such a trend is converting downtown Los Angeles into the trendy urban living area similar to the refurbished districts of New York City.

## **Retail Market**

The majority of regional malls are anchored by national retailers such as Nordstrom, Macy's, Robinsons-May, J.C. Penney, and Sears. In addition there are several "outlet" malls, where manufacturers sell directly to the consumer. There are innumerable community and neighborhood shopping centers that are anchored primarily by grocers such as Vons and Ralphs, as well as "power centers" that are built around Costco, Sam's Club or Walmart. Los Angeles County is also the site of one of the most exclusive and prestigious shopping areas in the country: Rodeo Drive in Beverly Hills. Newer, trendier retail shopping areas such as Melrose Avenue, Hollywood, Old Town Pasadena, and the Third Street Promenade in Santa Monica, attract both tourists and locals.

However, as land becomes more scarce, and the entitlement process takes longer and becomes more expensive, mall operators are concentrating on retaining core occupants and upgrading and expanding existing facilities. As always, there will be some fallout of marginal operations, including both malls and stores.

## Office Market

The Los Angeles County office market is concentrated in several submarkets throughout the region: Downtown Los Angeles, the Westside (including Century City), the South Bay, and the San Fernando Valley. There are also several suburban markets that have established themselves as viable office market areas, including Pasadena, Burbank, Glendale, and Valencia.

In the first quarter of 2005, CB Richard Ellis published market trends on office space throughout the county. They found the lowest vacancy rate for Class A and B spaces was in San Gabriel Valley, at 6.1%, and highest in South Bay, at 20.5%. Overall the county has a vacancy rate of 12.6%. New construction is primarily taking place in Burbank/Pasadena, San Fernando Valley and West Los Angeles. The highest asking rates for leases were found in West Los Angeles, at an average of \$2.64 per square foot for Class A space and \$2.14 per square foot for Class B space. The lowest asking rates were in the Hollywood/Wilshire Corridor area, averaging \$1.74 for Class A space and \$1.58 for Class B space. In conjunction, West Los Angeles has the highest net absorption, and Hollywood/Wilshire Corridor had the lowest. Overall the county's average asking lease rates were as follows:

Class A:	\$2.31 per square foot
Class B:	\$1.75 per square foot
Overall:	\$2.16 per square foot

With vacancy decreasing and lease rates increasing, experts are expecting to see new development and build to suit activity in select markets to satisfy the demand.

## Industrial Market

Though the vacancy rate for industrial space has increased slightly over the past year, lowering the net absorption in the Los Angeles area, demand remains high, as seen in increasing sales and lease rates. Barbara Emmons, Executive Vice President of the Glendale CB Richard Ellis office, stated, "Vacancies [in the first quarter of 2005] in the Los Angeles region are at all time lows, and there's a significant lack of available land throughout the region. Land values have continued to spike; and increased construction costs make new development cost-prohibitive in many areas. Industrial land prices are also increasing due to competition from alternative uses, including residential and retail conversions."

CB Richard Ellis found that industrial vacancy has seen a general trend of decreasing since 2001. Lease rates fell from 2001 to 2002 but have risen and surpassed previous highs since that time. As of the first quarter of 2005, the current vacancy rate was at 2.3%, and the average lease rate was \$0.54 per square foot. Construction activity rose during 2004 from 7.8 million square feet in the first quarter to 9.7 million square feet in the fourth quarter. Activity has since declined to 7.2 million feet in the first quarter of 2005. The South Bay area currently leads the county with 2.8 million square feet under construction, half of which is located in Carson. Though the trends of vacancy, availability, lease rates and activity are mixed, they still point to a strong industrial market throughout Los Angeles County.

## **Conclusion**

If considered a nation, Los Angeles County would be the sixteenth largest economy, falling between the Netherlands and Taiwan and ahead of such countries as Argentina, Switzerland and Belgium. If the county of Los Angeles was compared to a state, it would rank as the ninth most populated state, just behind Michigan. And in terms of size, the county is 800 square miles larger than the combined area of the states of Delaware and Rhode Island. These few facts alone prove that Los Angeles County is a daunting region, powerful in its own right. What affects Los Angeles will affect the world. Even with respect to the city alone the Encyclopedia Britannica 2000 has affirmed its influence: "Perhaps no other city in modern times has been so universally envied, imitated, ridiculed, and because of what it may portend, feared."

## MARKET AREA ANALYSIS

The subject property is located on the northeast corner of East Palm Avenue and First Street. First Street is a secondary, commercial, asphalt street in the central part of the City of Burbank, which has a population of 106,739 and encompasses 17.3 square miles. The subject property is located in downtown Burbank central business district. The area is a commercial market area which was originally developed in the early 1900's. The land use on First Street is exclusively commercial. Buildings in the area are used for entertainment, retail, restaurants, offices, personal services and banking. It is estimated that approximately 1% of the land is vacant and available for development into commercial and residential uses. Over the last 10 years, the area has seen considerable redevelopment. Given the current economic trends in the area, it is anticipated that a change in use of properties will occur in the foreseeable future from commercial to a mix of residential and commercial uses.

### *City of Burbank Profile*

The City of Burbank began as two separate ranches under the Spanish government: the Rancho San Rafael, granted to Jose Maria Verdugo in 1798, and the Rancho La Providencia, the site of a military skirmish in 1845 that led to installation of Pio Pico as the Spanish governor. In 1867 Dr. David Burbank bought 4,000 acres from the descendants of Verdugo and the current owners of the Rancho La Providencia. His ranch, known as "Burbank," became a successful sheep ranch. Burbank later sold a right of way to the Southern Pacific Railroad, bringing the first railroad to the area in April of 1874. In 1887 Dr. Burbank sold his holdings to the Providencia Land, Water and Development Company, which laid out a business district and opened the tract for sale on May 1, 1887, thus bringing the town of Burbank into being. In 1911, with a population of 500, voters approved incorporation.

In addition to the residences, farms and vineyards that sprang up in the area, the region also attracted major industries. In the mid-1920's Lockheed bought the area of Burbank known as "Turkey's Crossing" and built a plant for the production of its planes. This was a great boon for the city during World War II as the Lockheed plant became a major production center in the war effort. The city also attracted entertainment companies in the 1920's. First National Pictures bought 78 acres for its site, which was later purchased by four brothers and developed into a major motion picture studio under the name of Warner Brothers. Columbia Pictures and Walt Disney also purchased property in Burbank in the 20's and 30's. Several decades later television also located in Burbank when the National Broadcasting Company moved into the area. The city now hosts numerous media production companies and facilities.

Burbank has continued to grow since that time in spite of fluctuations in the economy and business climate. The city of Burbank currently covers over 17 square miles and includes the neighborhood known as Toluca Lake. The city is located 12 miles north of the downtown area of the City of Los Angeles. The 2000 US Census tallied a population of 100,316 with a median age of 36. The Los Angeles Almanac estimates a 2005 population of 106,739. In the 2000 census over 42,000 housing units were recorded with close to 40% of these being owner occupied. Of the 50,000 employed civilians over 16 years of age, 40% of these were in

management or professional occupations. The median household income was greater than \$47,000, and the median per capita income was just under \$26,000. The city offers its own police and fire protection, library system, school district and parks and recreation department. As Burbank also runs its own electric and water utilities, it is able to keep rates equal to or lower than surrounding communities.

Burbank is bisected by Interstate 5 with more than 200,000 cars per day passing through downtown Burbank en route to and from Los Angeles County destinations. Highway 134 runs along the southern edge of the city and connects the San Gabriel Valley with the San Fernando Valley. Burbank is home to the Bob Hope International Airport, former site of the Lockheed airport and facilities. It services approximately 5 million passengers a year on six major carriers with more than 75 flights per day. Local commuters also frequent the Burbank Regional Intermodal Transportation Center (RITC) which is a stop for two Metrolink lines, numerous bus lines and provides a large parking area for Interstate 5 commuters to park and ride.

Businesses in Burbank have the distinct advantages of no city income tax and no gross receipts tax. This "pro-business" attitude has lured many corporations to the area, 600 of which are media related, such as ABC Television, BBC America, Dreamworks, Rhino Records, Nickelodeon and Clear Channel Communications. Retail sales in Burbank have recently ranked in the top 10% of all 88 Los Angeles County Cities, even surpassing cities such as Beverly Hills. The city's per capita income retail sales are double those of Los Angeles County, mostly due to three major retail powerhouses: IKEA, a total of 30 AMC Downtown theater screens and the Media City Center mall.

Of the five zip codes subdividing Burbank, four contain residential properties. In the month of May 2005, the median prices for home sales by zip code ranged between \$555,000-717,000, representing a price increase of 8.7 to 28.1% over sale prices from May 2004. Condominium sale prices in May of 2005 ranged from \$345,000-501,000, representing a price percent change range from -13.8 to +32.5% from May 2004.

### ***Downtown Burbank***

Downtown Burbank, which is located one mile north of the Interstate 5 and Highway 134 interchange, has 5 million square feet of new and adaptive-reuse retail, office and residential development. There are currently 160 existing retail stores and 70 restaurants and eateries. Gross sales in 2002 topped \$650 million. Foot traffic in the area averaged 25,000 people per day, or 8.5 million people per year. Within a three mile radius approximately 100,000 daytime office workers populate the area, most of whom are high-income, media related personnel. Two major corporations housed downtown are the Cartoon Network and Holiday Inn.

Downtown Burbank is naturally divided into three districts: the Mall District, the Village District and the Civic District. The Mall District houses the indoor and outdoor shopping areas of Media Center Mall and contains the major retailers of Macy's, Sports Chalet, Virgin Megastore and IKEA. The Village District is a pedestrian-friendly, outdoor shopping neighborhood lined with shops, offices, lofts and restaurants. Major retailers in this district are AMC 16, Urban Outfitters, Market City Caffe and Skyblupink. The Civic District houses the

government core of the city, including City Hall, Fire and Police Headquarters and County Courts.

### ***Redevelopment***

Formed in the 1970's, the Burbank Redevelopment Agency identified key areas in the city to remove blight and revitalize them with new office, retail and commercial ventures, as well as affordable housing units. In December 2004 three major projects were combined into one: the City Centre, South San Fernando and Golden State Redevelopment Project areas. A fourth project, the West Olive Redevelopment Project area, continues to stand alone. Approximately 2,000 acres of land is covered by these four projects. Another project, known as The Cottages, was completed in July 2003 offering apartments at market rates and at levels conforming to the State of California's affordability guidelines.

The subject is located in the City Centre Redevelopment Project Area which has several phases. The first phase included a 16 screen AMC movie theater, retail and restaurant space was completed in June 2003. The second phase, located just south of Phase I, will include parking, residential, retail and restaurant space. Another project in the pipeline will redevelop the area know as the "old police block" with a mixed-use project. The City Centre Redevelopment Project Area is located between Glenoaks Boulevard and the Golden State Freeway and between Burbank Boulevard and Verdugo Avenue.

The South San Fernando Boulevard Project Area includes the South San Fernando Boulevard Streetscape Project, a park and community school site, commercial sites, mixed use projects and two housing projects, the Burbank Senior Artists Colony (under construction) and the United Cerebral Palsy Independent Living Facility. Phase I of this project will focus on opportunity sites, and Phase II will focus on primary commercial corridors, such as South San Fernando Boulevard, Olive Avenue, Victory Boulevard and Flower Street.

The Golden State Redevelopment Project Area announced the completion of the Burbank Empire Center, covering 103 acres and offering 2 motels and 1,000,000 square feet of retail space, with stores including Costco, the Great Indoors, Sears, Target and Best Buy. A second development is the Media Studios North, an office development of 600,000 square feet, which is being developed in three phases. The Golden State Project area also includes land surrounding the Bob Hope International Airport, which will see the conversion of airport and industrial uses into office, retail and high-tech uses.

The West Olive Redevelopment Project Area is located in Burbank's media district. One project is the Pinnacle, Phase I of which is completely leased to top entertainment industry companies. Phase II, currently under construction, will add 185,000 square feet of office space to the existing 400,000. Across the street from the Pinnacle a new project, the Bob Hope Center, is in development with office, theater, restaurant and museum uses. A mixed use project, the Burbank Media Center, has also been proposed for this area to include office, residential, restaurant and religious facility uses.

## **PROJECT SUMMARY FOR THE COLLECTION AT DOWNTOWN BURBANK**

Led by Champion Development Group, The Collection at Downtown Burbank will be located on a 1.92 acre block at the south east corner of First Street and Palm Avenue in the heart of Downtown Burbank. The majority of the project's retail frontage is on Palm Avenue, a walking street that separates the site from the entrance to AMC's new 16 screen theater. According to AMC, this theater is consistently in the top four highest grossing theaters in the nation. The site is also surrounded by many national retailers including IKEA, Barnes and Noble, Macy's, Mervyns, Sears and Ross.

The Collection has been approved by the City of Burbank as Planned Development No. 2003-2 pursuant to the Development Agreement between the City of Burbank and Champion Realty, Ltd. dated January 19, 2005 (attached hereto as Exhibit 5). The Collection will be a five-story mixed-use project. It is anticipated that the project will have one level of entertainment oriented retail and restaurant space (up to 50,000 square feet) with four levels (plus mezzanine) of residential for-sale condominiums with approximately 118 units, and a 723 car, five-level parking facility. The project will also include six temporary kiosks on Palm Avenue and significant advertising signage throughout. The retail portion of the project will be Type I construction (fire resistive) and the residential portion will be Type III construction (ordinary masonry). Construction is scheduled to commence in November, 2005 with seventeen months to complete the parking portion and twenty-four months to complete the balance of the project. Although the project will be initially constructed under the single ownership of Burbank Collection, Ltd., it will be divided into separate condominium ownerships upon completion. Consequently, although the project must be designed as an integrated mixed-use project, with each component contributing to the success of the other components, the project must be designed so that each component can stand alone under separate ownership.

The retail component of the project will be located on both the First Street frontage at grade level and the Palm Avenue frontage at grade level. This is possible because the site slopes down from east to west approximately 20'. The developer is seeking a retail and restaurant tenant mix that will make this pedestrian arcade a retail and entertainment destination for Burbank and the surrounding communities. Although the retail and restaurant tenants may be chains, it will be the chain's only store in Burbank and they will be required to create a "flagship" presence inside their store. The residential condominium component of approximately 118 residential units is expected to consist of a mix of lofts and flats surrounding three center courtyards. The units as currently conceived range between 630 and 2,080 square feet. The anticipated price range for the units will range between approximately \$270,000 - \$850,000. The parking component will consist of a 723 car, five-level parking facility with three subterranean levels. It is anticipated that there will be 209 open parking spaces for the use and benefit of the Commercial Unit owner(s), their tenants, employees, customers, guests and open public parking; 236 parking spaces for the owners and occupants of the Residential Units; and 278 public parking spaces to be owned in fee by the City. These preliminary numbers are subject to change as the design plans change.

## LAND DESCRIPTION

The subject site is the location of Phase II of the AMC 16 downtown Burbank Development opposite the completed Phase I theater, retail and restaurant development. A final tract map for the project #062742 is in the approval process; we have assumed the map has been approved as submitted and formally recorded.

Location:	Corner lot
Street:	Public, 86 feet wide on First Street Private, Palm Avenue, a pedestrian walking street
Alley:	None
Parking Access:	From First Street
Access Obstruction:	None
Frontage:	178 feet along First Street 396.51 feet along Palm Avenue Please see plat map for further reference
Shape:	Irregular
Dimensions:	Irregular
Area:	83,622 square feet, gross 54,364 square feet, net per tentative tract map 29,258 square feet, access easements Based on assessor information and tentative tract map
Topography:	Sloping
Geology:	No adverse conditions known
Relation to Grade:	Above and level
Drainage:	Average
Utility:	The site's characteristics make it adequate for development.
Census Tract:	3107.2
FEMA Flood Hazard Zone:	No, Panel #0650180005C, Zone X, 1/20/99
Special Hazards:	Southern California has a history of earthquake activity and we make no representation as to the subject's risk from such future activity.
Utilities on Site:	
Water	Yes
Sewer	Yes
Electric	Yes
Gas	Yes
Telephone	Yes
Storm Drain	Yes
Zone Classification:	Planned Development
Permitted Uses	Mixed use retail, restaurant, residential

Development Standards	Development of the site is based on the conditions included in the Development Agreement 2003-2 between the City of Burbank and the developer, Champion Realty, Ltd.
Reciprocal Easements:	Through existing parking and public access to parking
Easements:	Standard utility easements are assumed; no other easements were observed

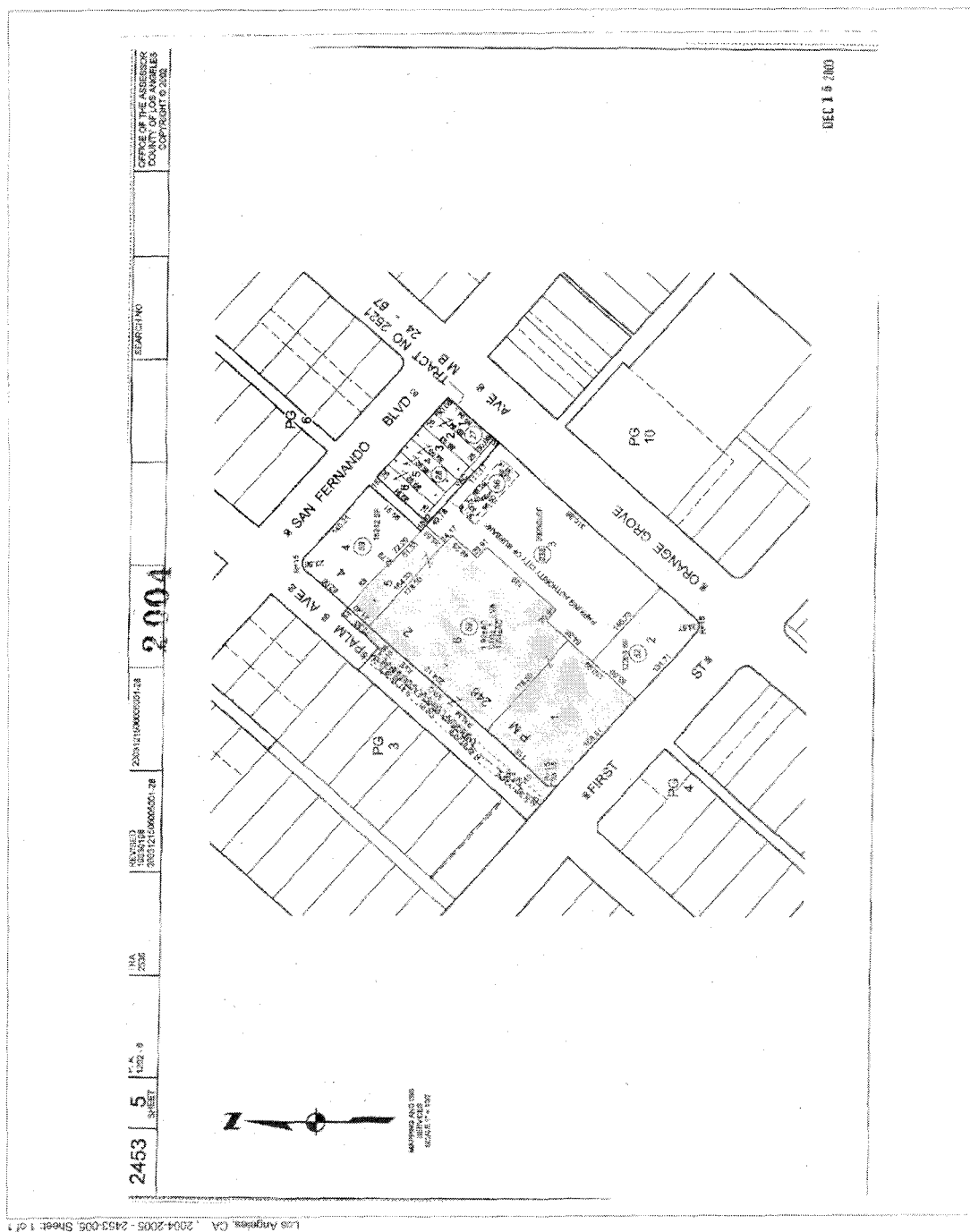
We have reviewed the preliminary title report prepared by Stewart Title Company of California, dated April 5, 2005 regarding the subject property. In addition to typical utility, access easements and encroachment permit agreements the title report specifically references that the subject property is located within a project area of "The City Centre Redevelopment Project" and that all development of the site will proceed only after the adoption of a redevelopment plan. A development agreement was recorded between the City of Burbank and Champion Realty, LTD (Planned Development No. 2003-2) on January 19, 2005. Further, the title report notes that the subject property is located within the boundaries of the community of Burbank parking authority and is subject to future or pending assessments.

We have assumed that all references noted in the title report would be resolved in accordance with the development agreement. Therefore, in our opinion, the value of the subject property as described in this report for the development of commercial space and required parking is not adversely affected.

## ENVIRONMENTAL CHECKLIST

Current Use:	Vacant
Presence of	
Underground Storage Tanks:	None noted or observed
Stained Soil:	None noted or observed
Vegetation Damage:	None noted or observed
Oily Surface Water:	None noted or observed
Discarded Batteries:	None noted or observed
Oil Drums:	None noted or observed
Propane Tanks:	None noted or observed
Water Wells:	None noted or observed
Neighboring Property Uses:	Retail, theater and parking structure. These uses do not appear to pose a current environmental risk.

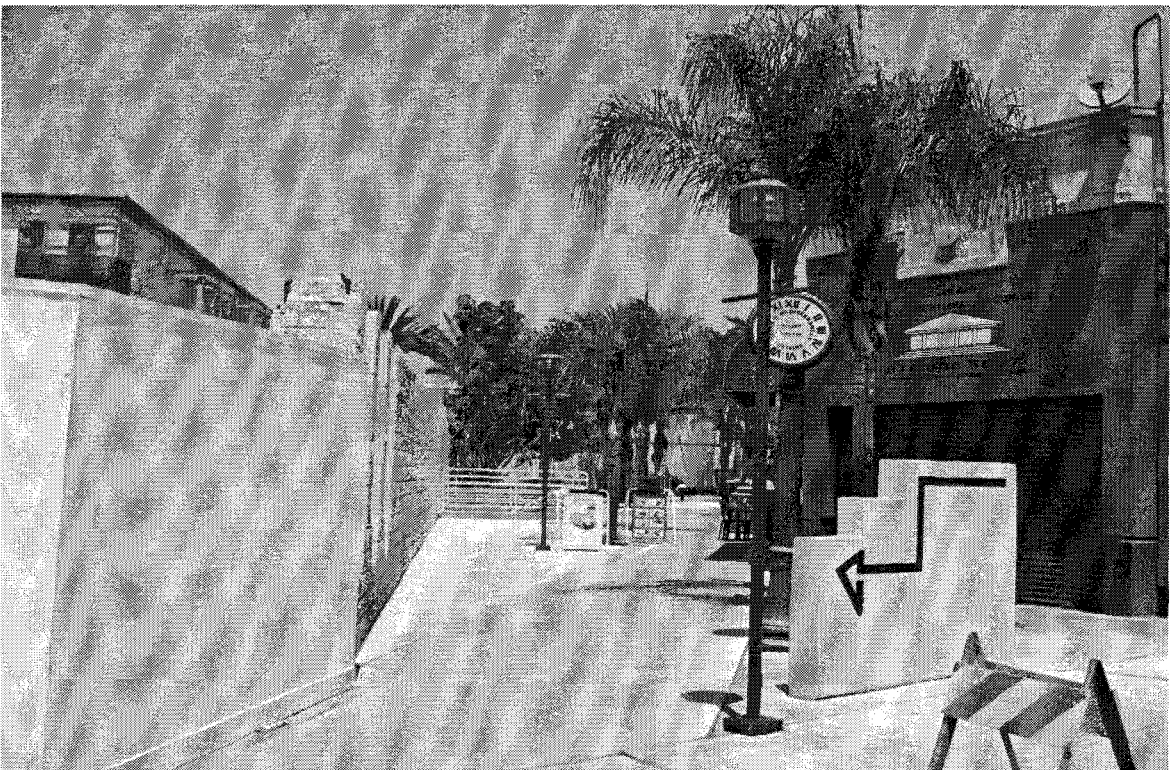
## SUBJECT PLAT MAP



## SUBJECT PHOTOGRAPHS



View of subject site towards 1<sup>st</sup> Street from adjacent parking structure



View to west along north side of subject site



View north on Palm Avenue from 1<sup>st</sup> Street



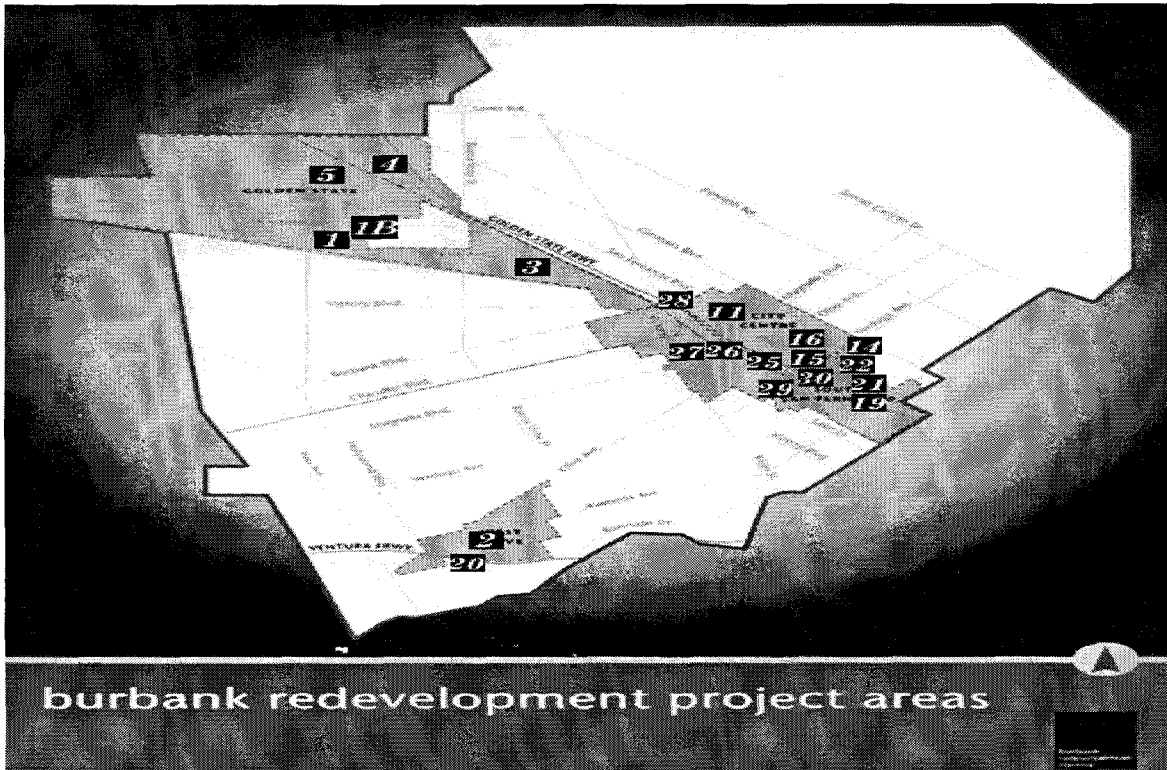
South on Palm Avenue, subject site on left



Northwest on 1<sup>st</sup> Street, subject on right



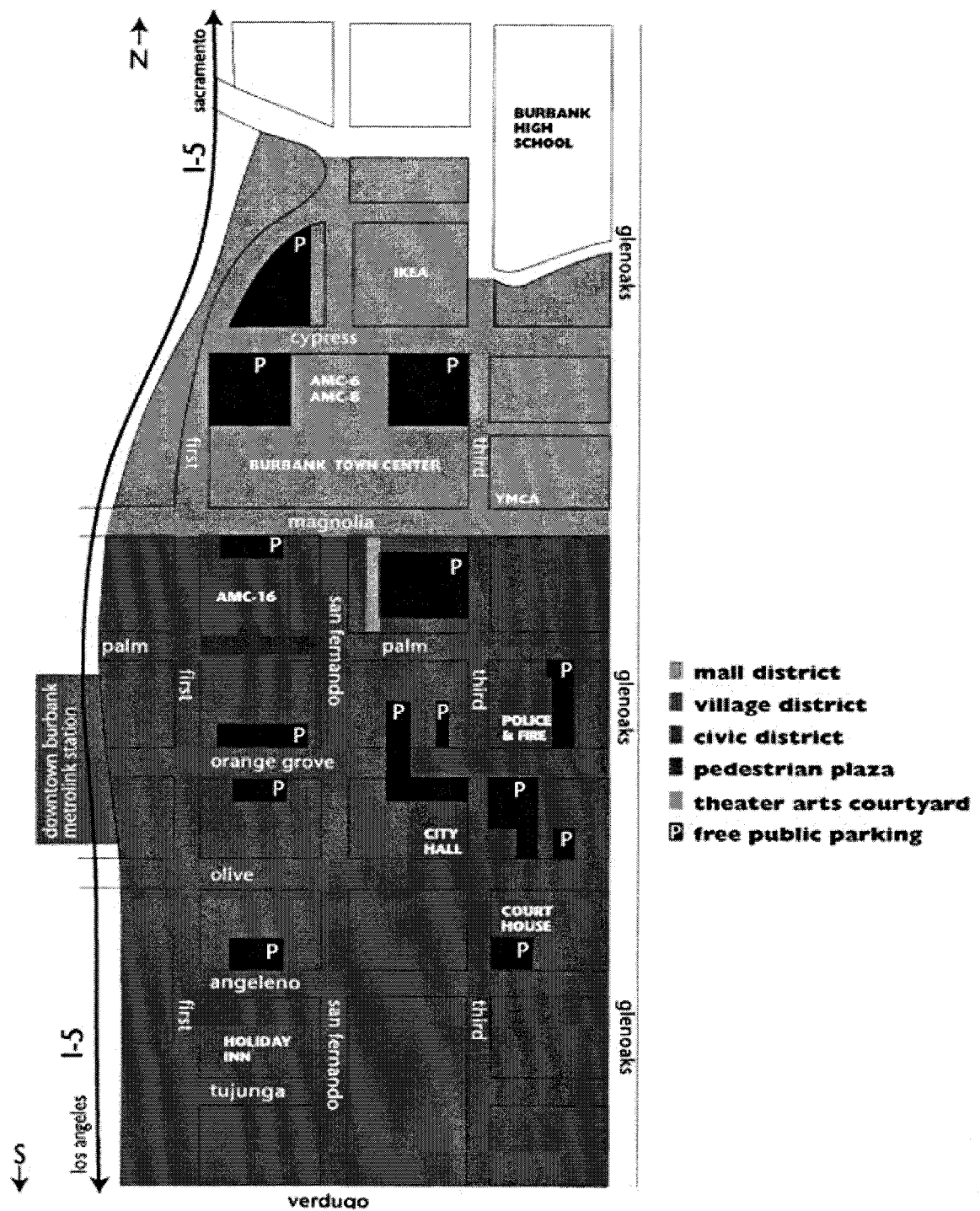
Entrance to AMC 16 on Palm Street, subject site on right



Burbank redevelopment project area



Aerial photo



Aerial photo

## **HIGHEST AND BEST USE**

Highest and Best Use is "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability".<sup>11</sup>

Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners.

The following tests must be met in estimating highest and best use. The use must be legal and probable, not speculative or conjectural. A demand for the use must exist, and it must yield the highest net return to the land for the longest period. These tests are applied to the improved and vacant property. To arrive at an estimate of highest and best use, the subject site was analyzed 1) as though vacant and available for development, and 2) as presently improved.

### **Highest and Best Use Assuming a Vacant Site**

#### *Physically Possible Use*

The first constraint on the possible use of the property is dictated by the physical aspects of the site. The size and location of the parcel are the most important determinants of value. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. The physical characteristics of the subject site will not impact development.

#### *Legally Permissible Use*

Of particular importance in the analysis of highest and best use of the subject is to determine the legal extent and use to which the site can be developed. Development of the site is restricted by existing zoning regulations and subject to the interpretations by the planning, zoning and/or governing body charged with enforcing said regulations. In addition to these legal constraints, the property may be subject to restrictions placed upon the property by legislative laws, electoral laws, temporary legal restrictions, environmental issues or other possible factors under the public jurisdiction.

In addition to public regulations, the subject may have private restrictions that limit the site's ability to be developed. These restrictions are typically found in the title report which was not reviewed. The preliminary title report provided by Fidelity National Company does not disclose any factors which would impact the subject's market value.

The site is zoned Planned Development 2003-2 and is designated for commercial and residential uses that allow for the development of retail, restaurant, residential uses and parking.

#### *Financially Feasible Use*

In determining which uses are legally permissible and physically possible, we eliminated some uses from consideration. We further analyzed the uses that meet these first two criteria to determine which are likely to produce an income, or return, equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization. We regard as financially feasible all uses that are expected to produce a positive return.

#### *Maximally Productive Use*

Of the financially feasible uses, the highest and best use is that use which produces the highest residual land value consistent with the rate of return warranted by the market for that use. To determine the highest and best use of land as though vacant, an appropriate rate of return reflecting the associated risk is often used to capitalize income streams from different uses into their respective values. The use that produces the highest residual land value is considered to be the highest and best use for the subject.

#### *Conclusion*

Based on our observation of the market and considering the factors above, it is our opinion that the highest and best use of the site, as if vacant, would be to construct a mixed use retail and residential development.

## **APPROACH TO VALUE**

In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. The comparative analysis in the Sales Comparison Approach focuses on differences in the legal, physical, locational, and economic characteristics of similar properties and the subject property and on differences in the real property rights conveyed, the dates of sale, the motivations of buyers and sellers and the financing arrangements for each sales transaction which can account for variations in prices.<sup>7</sup>

## SALES COMPARISON APPROACH



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### Land Sale 1

1252 South Central Avenue, Glendale, California 91204

Map Reference: 564-E7

APN: 5640-012-007, 034

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24,000 square feet land area

150 ft. frontage

C3 zone

Utilities to site

Level topography

Average(-) location

Average(-) access

Average utility

Sold on July 22, 2005

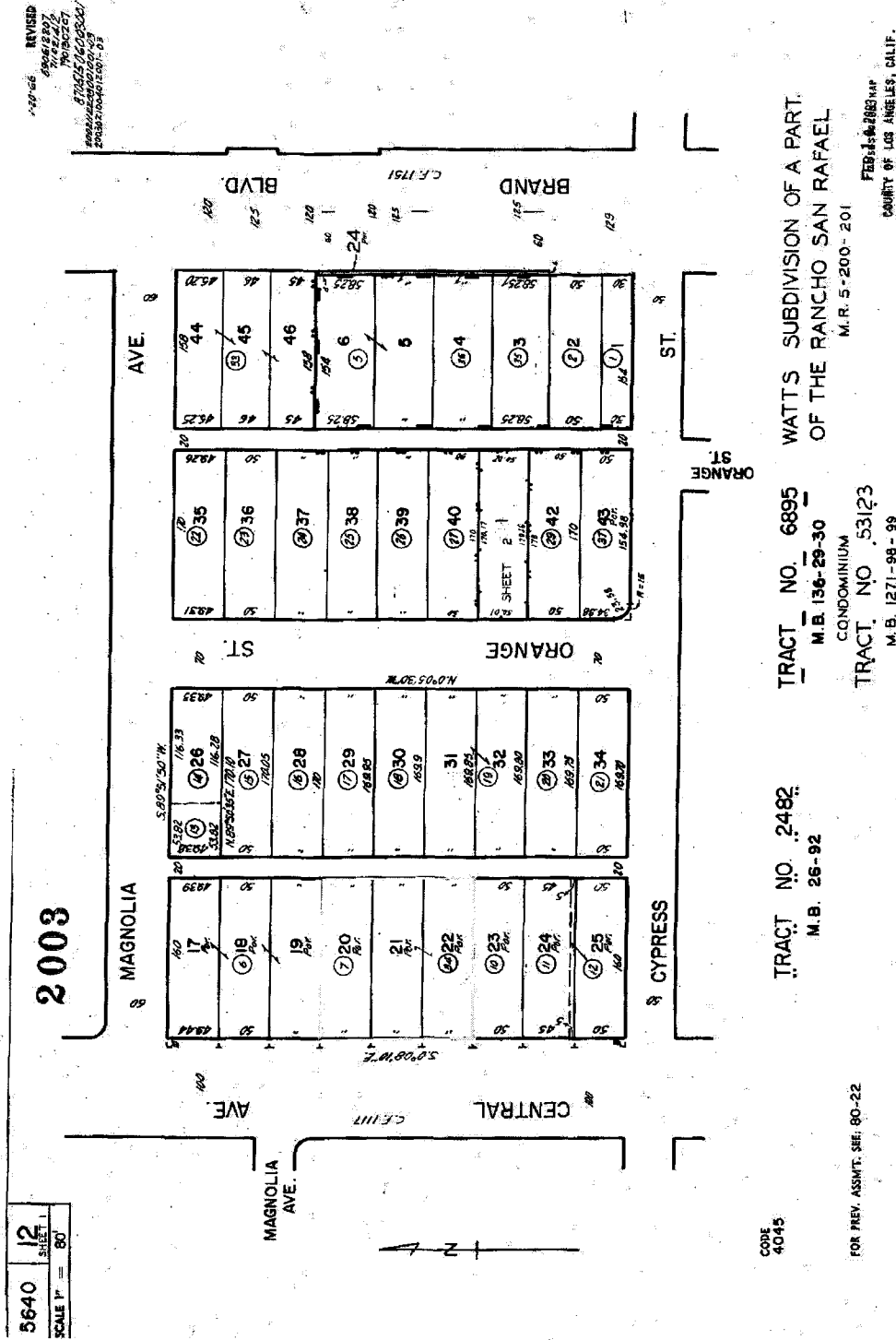
Sold for \$2,200,000

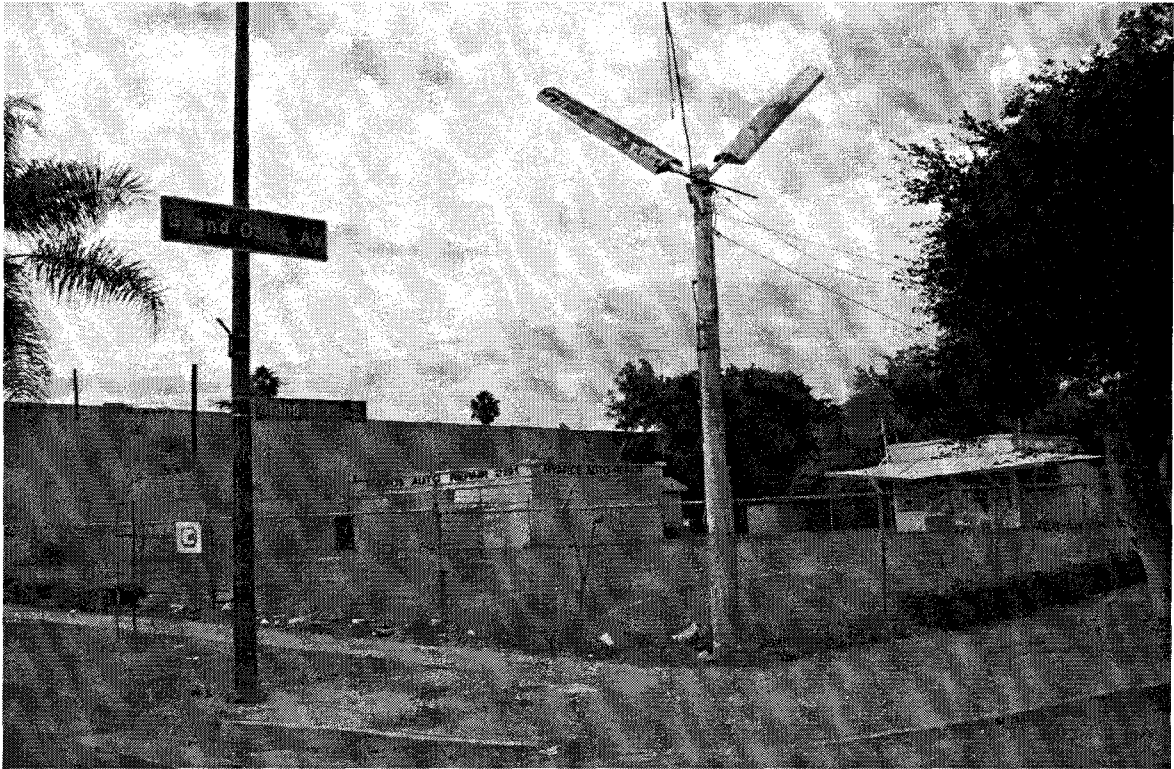
Terms not available

\$91.67 per square foot

This square-shaped interior parcel is located approximately 4 miles southeast of the subject on a secondary street. The grantor was Clarence Brooks Trust, and the grantee was Alfred & Gladys Rodriguez on document number 1736404. This comparable was reported or verified by Win2Data, NDC and CoStar. At the time of sale the intended use was to construct a commercial development. At the time of inspection this site was in the process of being prepared for development.

REVISED 1-20-66  
890612207  
711221412  
190130207  
8705150603001  
200211220001001-03  
2003021004012001-03





### Land Sale 2

2191-2193 East Colorado Boulevard, Pasadena, California 91107

Map Reference: 566-D4

APN: 5746-008-044

27,200 square feet land area

200 ft. frontage

CG1 zone

Utilities on site

Level topography

Fair location

Average access

Average utility

Sold on June 17, 2005

Sold for \$2,475,000

\$1,225,000 down

\$1,250,000 1<sup>st</sup> from 1<sup>st</sup> InterBusiness

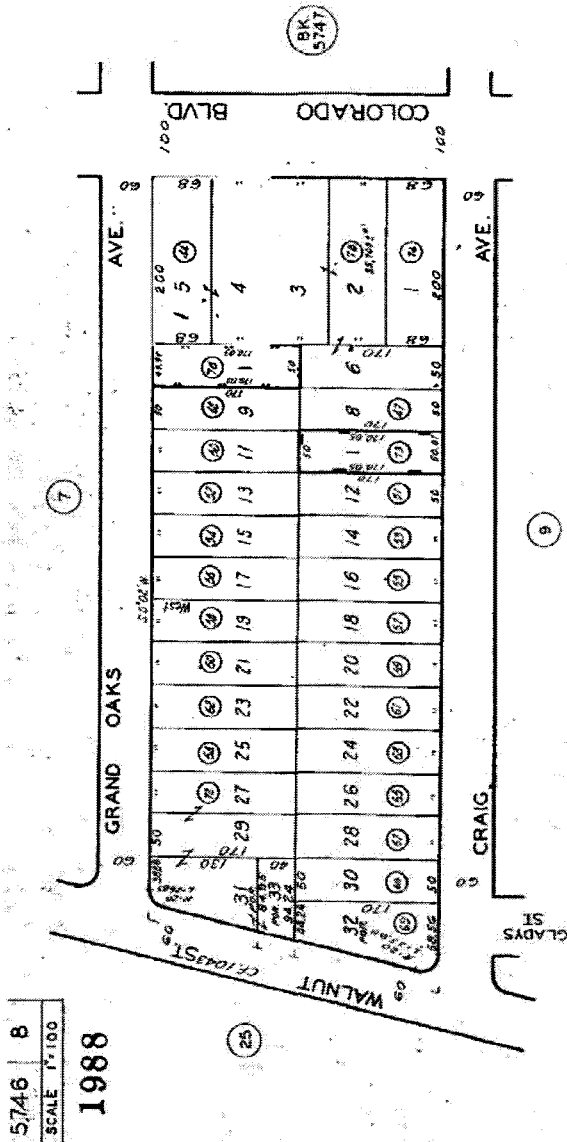
Bank

\$90.99 per square foot

This rectangular-shaped corner parcel is located approximately 7 miles southeast of the subject on a primary street. The property is improved at this time with two small buildings. These improvements are considered to have no contributory value because they will be demolished and the site will be redeveloped. The grantor was Passel Investments, LLC, and the grantee was Grand Oaks Lofts, LLC on document number 1427351. This comparable was reported or verified by Win2Data, CoStar and the Los Angeles County Assessor's Record. This property previously sold on August 27, 2003 for \$1,650,000 (\$60.66 per square foot) on document number 2490641.

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ASSESSOR'S MAP  
COUNTY OF LOS ANGELES, CALIF.



COLORADO HEIGHTS TRACT

M.B. B - 105

CONDOMINIUM  
TRACT NO. 37611

M. B. 949 - 50

CONDOMINIUM

TRACT NO. 42024

MB 1032 - 81

CODE  
7500

FOR PREV. ASSM'T SEE



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### Land Sale 3

1332 Colorado Boulevard, Los Angeles, California 90041

Map Reference: 565-C6

APN: 5690-006-029

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26,615 square feet land area

Sold on June 30, 2005

269 ft. frontage

Sold for \$2,385,000

C4 zone

Terms not available

Utilities on site

\$89.61 per square foot

Sloping topography

Average(-) location

Average access

Fair utility

This mostly rectangular-shaped corner parcel is located approximately 4 miles southeast of the subject on a primary street. The grantor was Artrock Lofts, LLC, and the grantee was 1332 W. Colorado Boulevard, LLC on document number 1544775. This comparable was reported or verified by Win2Data, CoStar, NDC and the Los Angeles County Assessor's Record. At the time of sale the intended use was to construct a mixed retail and residential building. This property previously sold on May 6, 2004 for \$750,000 on document number 1136567.

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1-800-345-7334

5690 6 1998

SCALE IN 1/16 OF AN INCH

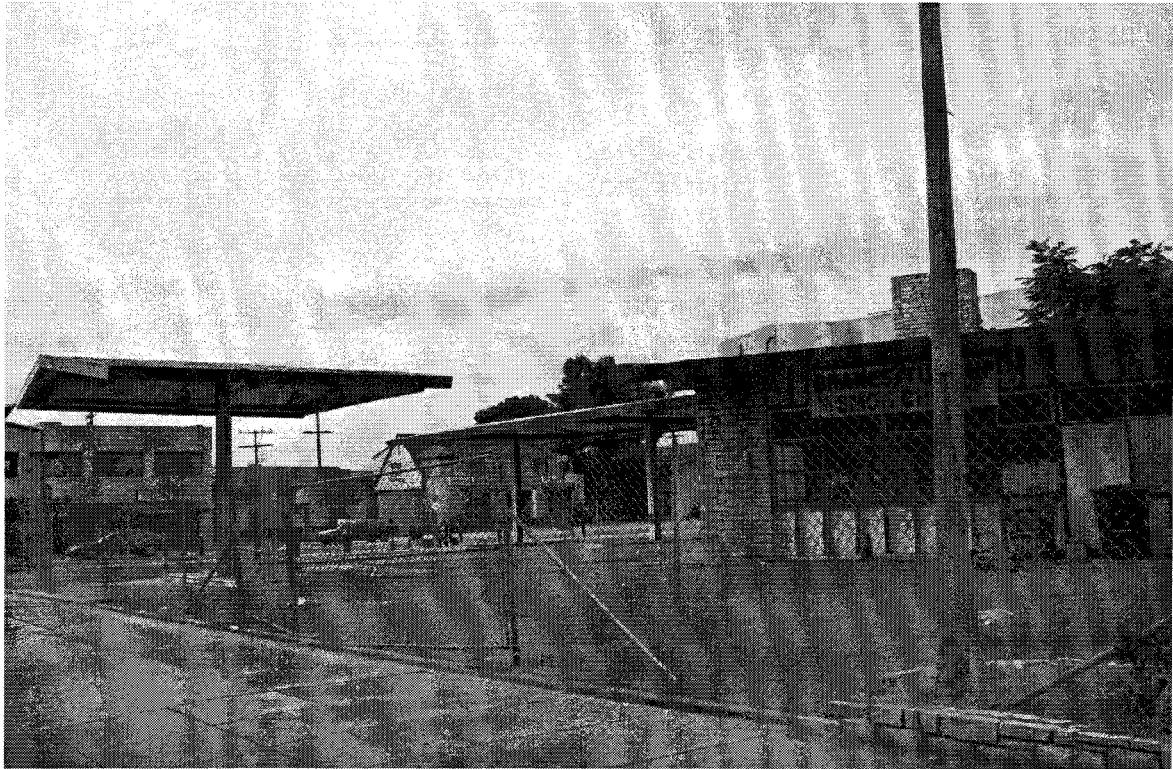
BK 5691

TRACT NO. 1083 M. B. 17 - 84  
PARCEL MAP - E. M. 47-73

THE REPLY, ASSUMES SEE  
MAP 12 & 14

NOV 24 1997

ASSESSOR'S MAP  
COUNTY OF LOS ANGELES, CALIF.



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#### **Land Sale 4**

217-219 West California Avenue, Glendale, California 91203

Map Reference: 564-E4

APN: 5643-020-035 through 037

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27,659 square feet land area

180 ft. frontage

C3 zone

Utilities on site

Level topography

Average(+) location

Average access

Average utility

Sold on June 17, 2005

Sold for \$4,100,000

Terms not available

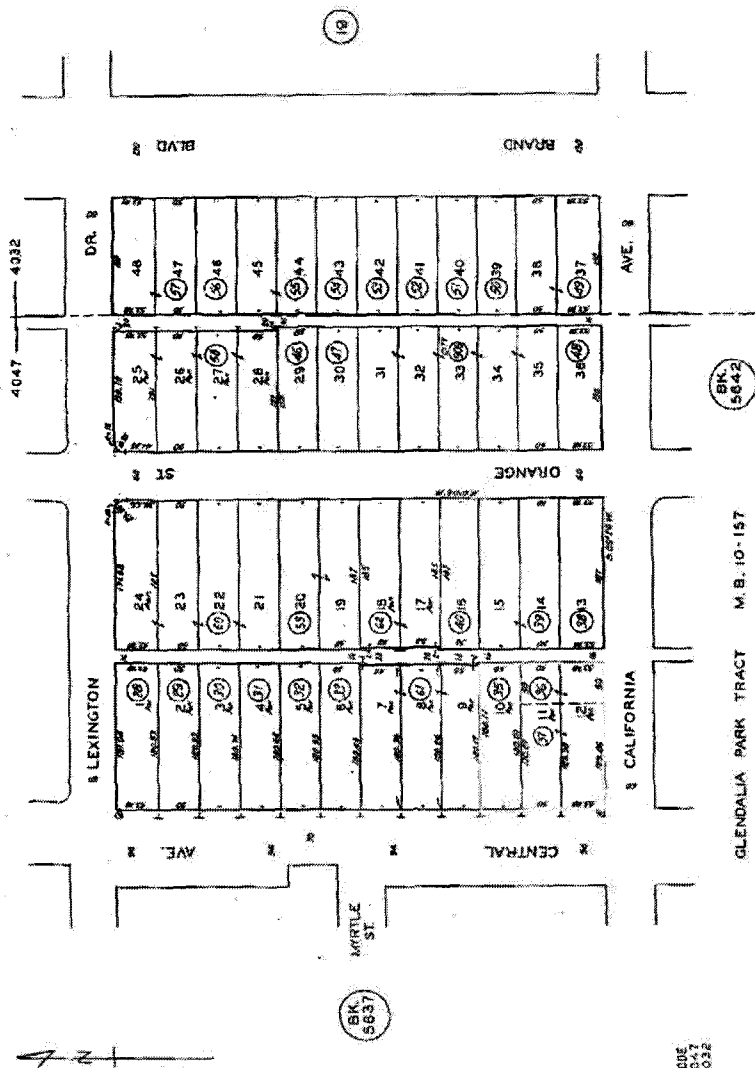
\$148.23 per square foot

This square-shaped corner parcel is located approximately 4 miles southeast of the subject on a primary street. The property is improved at this time with an auto repair facility. These improvements are considered to have no contributory value because they will be demolished and the site will be redeveloped. The grantor was Brittan Family Trust, and the grantee was Glendale Tower Partners, LP on document number 1425789. This comparable was reported or verified by Win2Data, CoStar and NDC. At the time of sale the intended use was to construct a 62-unit condominium development.

# LAND SALE 4 PLAT MAP

Title  
 Assessor's Map  
 and  
 Assessor's Map  
 of  
 the  
 County of Los Angeles, Calif.  
 1995

5643 20  
 1995  
 SCALE 1" = 100'



AUG 12 1995

ASSESSOR'S MAP  
 COUNTY OF LOS ANGELES, CALIF.

CODE  
 4032  
 4032

FOR PREV. ASSMT SEE:  
 5643 - 21 & 22



### Land Sale 5

Southeast corner of Broadway/Golden Avenue, Long Beach, California 90802

Map Reference: 825-C1

APN: 7278-015-044

243,936 square feet land area

N/A ft. frontage

PD30 zone

Utilities to site

Level topography

Good location

Good access

Good utility

Sold on March 2, 2005

Sold for \$18,000,000

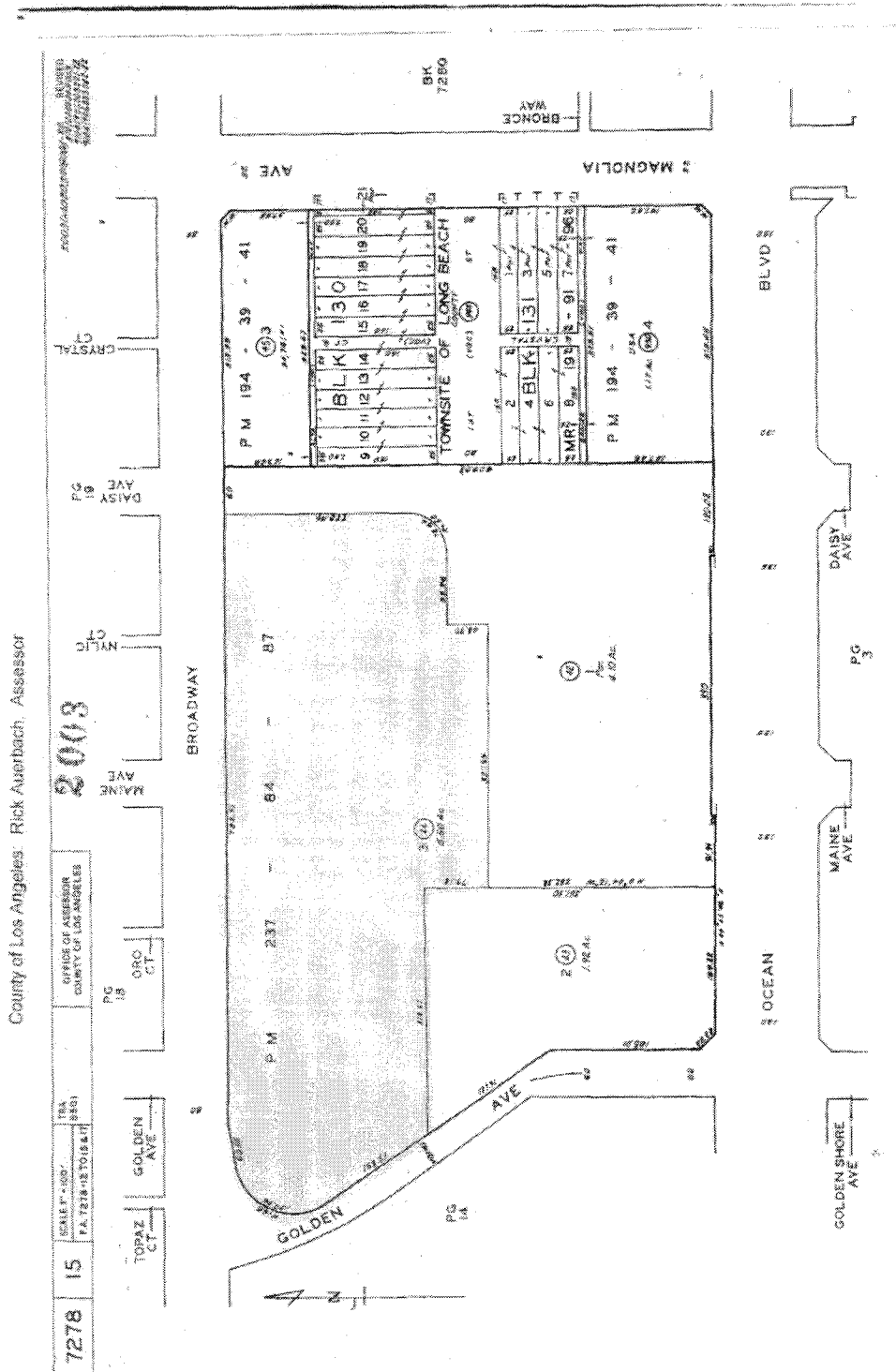
\$1,595,000 down

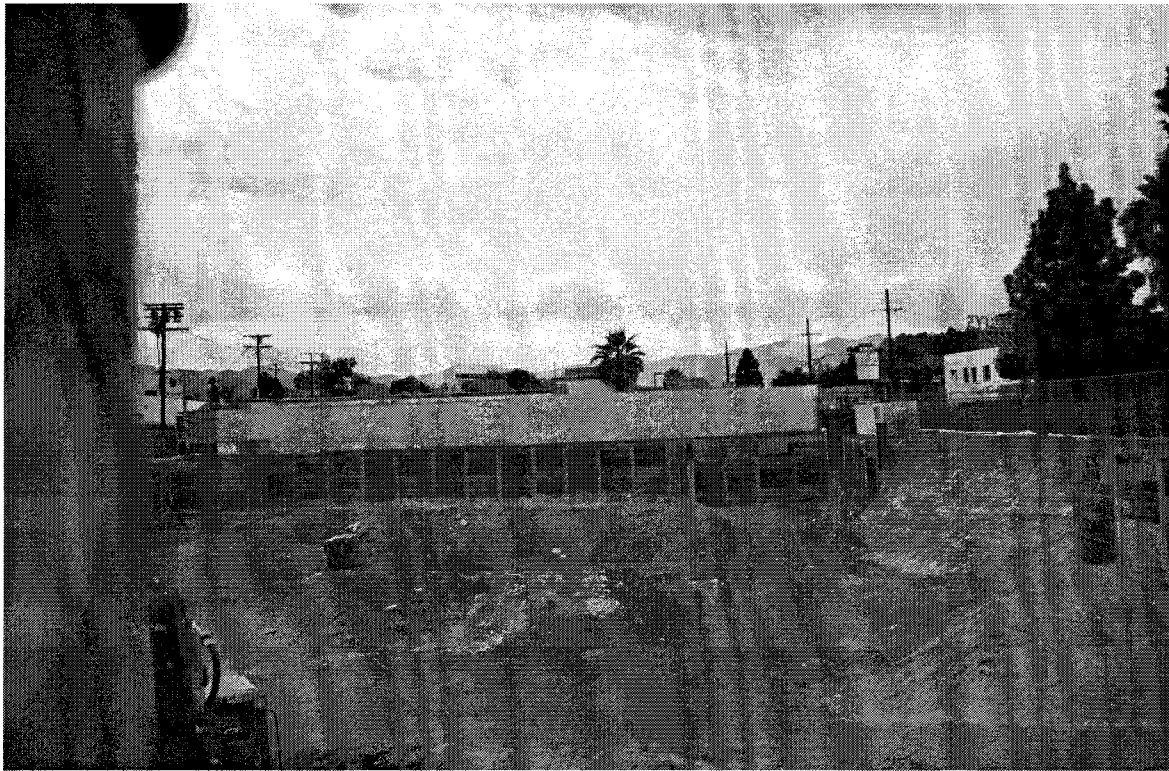
\$17,000,000 1<sup>st</sup> from 1<sup>st</sup> Bank Midwest

\$73.79 per square foot

This irregular-shaped corner parcel is located approximately 20 miles south of the subject on a secondary street. The property was improved at the time of sale with a parking lot. These improvements are considered to have no contributory value because they will be demolished and the site will be redeveloped. The market time for this sale was 30 days. The grantor was HEI Long Beach, LLC, and the grantee was PPD Long Beach WTC on document number 474225. This comparable was reported or verified by Win2Data, CoStar and the Los Angeles County Assessor's Record.

# LAND SALE 5 PLAT MAP





### Land Sale 6

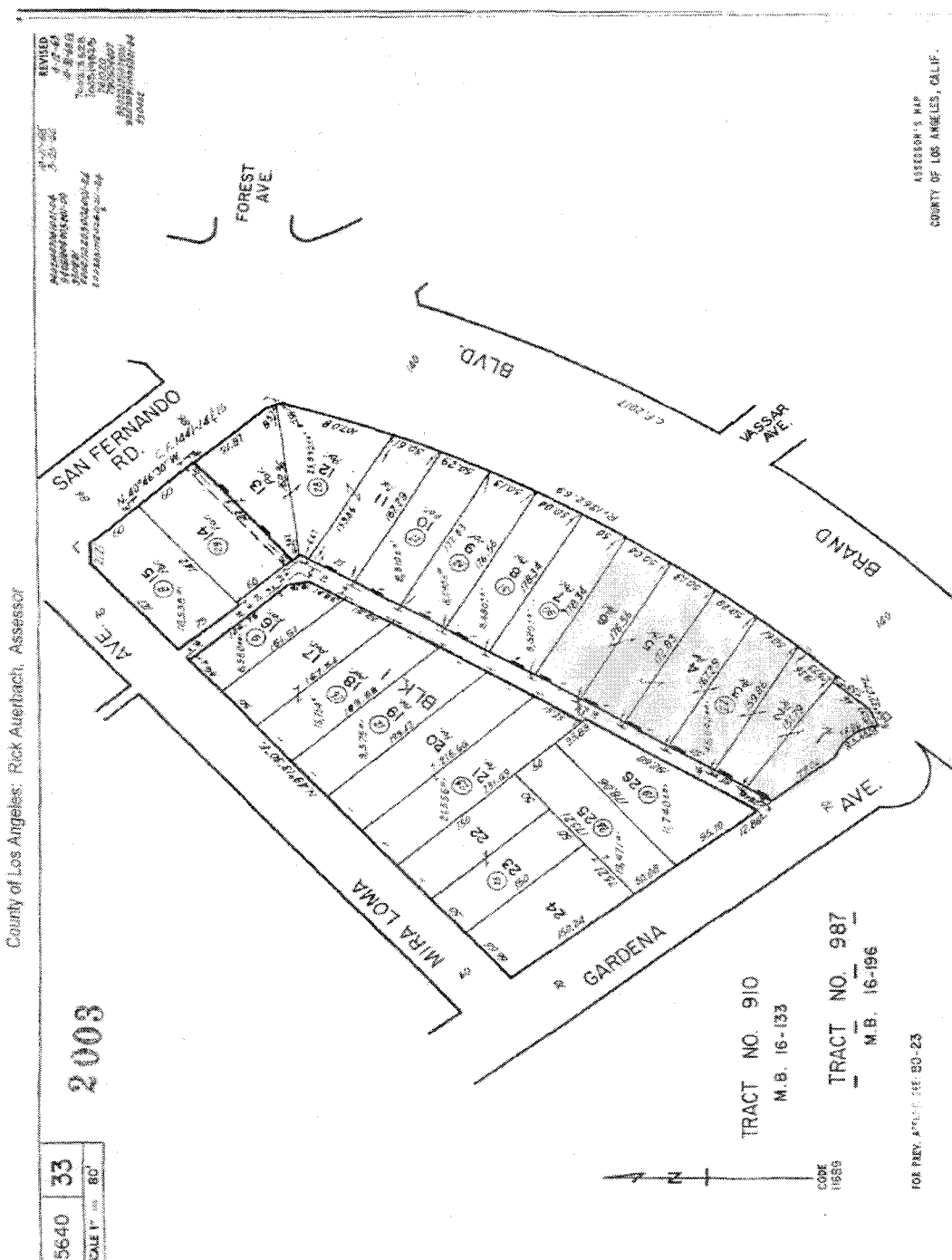
1855 South Brand Boulevard, Glendale, California 91204

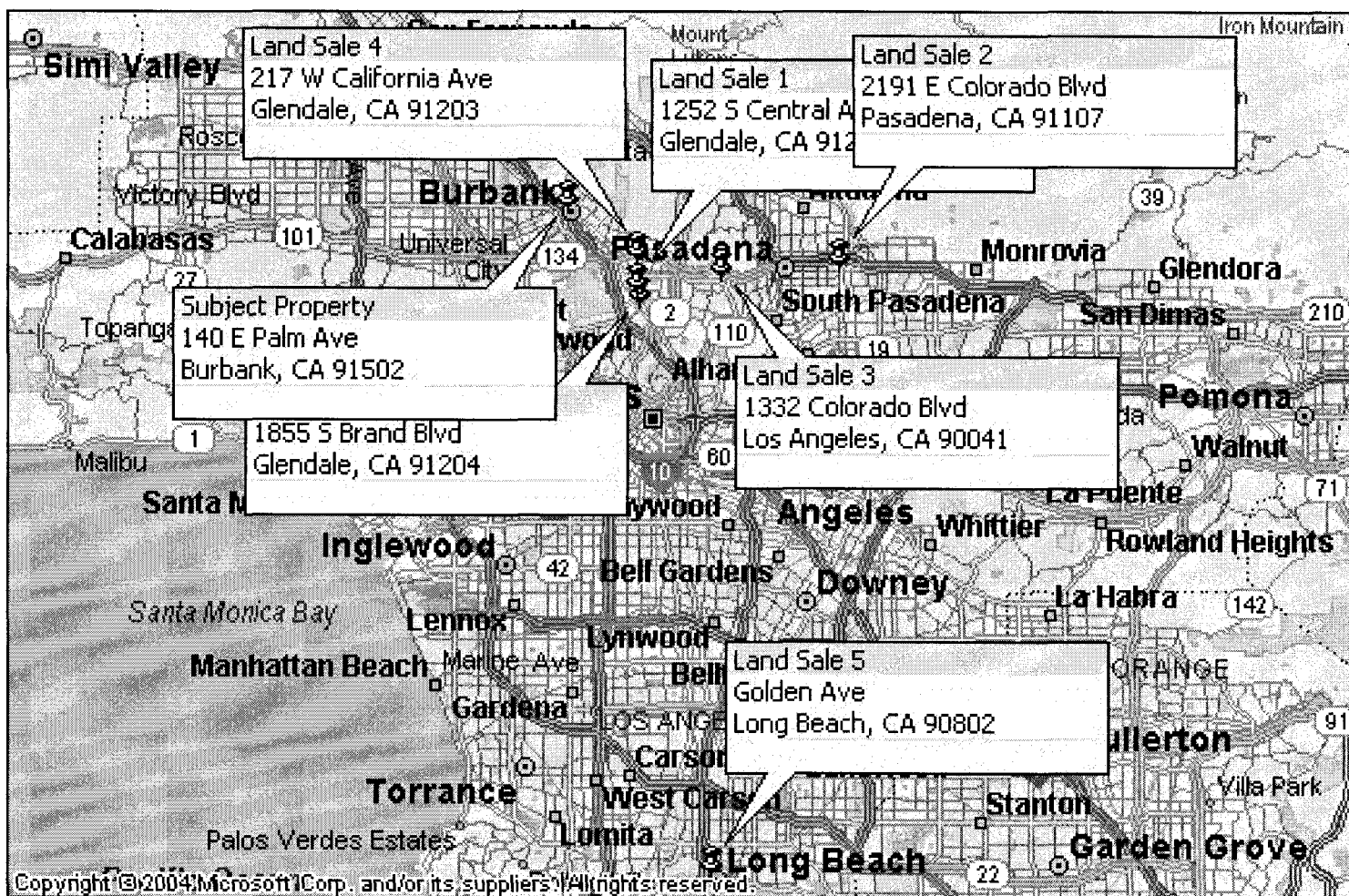
Map Reference: 594-E1

APN: 5640-033-022

45,940 square feet land area	Sold on February 25, 2005
132 ft. frontage	Sold for \$3,875,000
SFMU zone	\$0 down
Utilities on site	\$10,756,867 1 <sup>st</sup> construction financing
Level topography	From Hanmi Bank
Average location	\$2,100,000 2 <sup>nd</sup> from City of Glendale
Poor access	\$84.35 per square foot
Fair utility	

This irregular-shaped corner parcel is located approximately 5 miles southeast of the subject on a tertiary street. The grantor was Metropolitan City Lights, and the grantee was Housing Authority of the City of Glendale on document number 3280709. This comparable was reported or verified by Win2Data and CoStar. This parcel is currently being developed with a 65-unit affordable housing complex by the City of Glendale Housing Authority. The site will have 161 parking spaces as per Glendale Single Family Mix Use zoning requirements. Although located along Brand Avenue it has no direct access to Brand Avenue.





LAND SALES MAP

## Analysis

The preceding comparables reflect the most recent activity in the subject area. In our analysis of the data presented, we considered a variety of factors including date of sale, cash equivalency, location, visibility, size, zoning, access, corner influence, topography, shape and availability of utilities. Except for those factors presented in the adjustment grid below, it is our opinion the subject and comparables are similar or do not require further adjustments.

However, we wish to note that we uncovered a similar site (similar location, size and planned use) in proximity of the subject. This sale at 219-253 East Angeleno Avenue was deemed uncomparable due to its sale by the redevelopment agency of the City of Burbank at below market price (\$27.69 per square foot, and it sold on 2/27/2004). Further, we uncovered a sale above our range in the adjacent City of Glendale. This sale at 412 East Broadway has development plans, which include retail and 115 condominium units. The buyer paid \$180.17 per square foot, and it sold on 12/17/2004. The buyer was willing to pay a premium due to its location and development potential.

### Adjustment Grid (in dollars)

Sale No.	Price Per Sq. Ft.	Location	Access	Topography	Site Preparation	Adj. Price Per Sq. Ft.
1.	91.67	15.00	15.00	—	—	121.67
2.	90.99	25.00	—	—	5.00	120.99
3.	89.61	20.00	—	15.00	—	124.61
4.	148.23	(10.00)	—	—	5.00	143.23
5.	73.79	—	—	—	40.00	113.79
6.	84.35	20.00	5.00	—	10.00	119.35

One of the foremost characteristics in the analysis of market sales is the relationship between price and time. All sales took place in 2005, between 3 and 8 months prior to our date of value. The appraiser deemed it unnecessary to adjust the sales.

Location is an important factor in the analysis of a property. In this analysis, the comparables may be superior, inferior or similar to the property being appraised. As a result, we must adjust the comparables, if necessary, based on differences noted. Sales 1 and 6 are located in periphery commercial locations of downtown Glendale. Therefore, due to their inferior commercial locations, they were adjusted upward. Sale 2, although located on Colorado Boulevard (a major commercial arterial in Pasadena), is also a periphery commercial location. A larger upward adjustment (compared to Land Sale 1) was made due to its greater distance from Pasadena's commercial core. Sale 3 is also located along Colorado Boulevard. However, this property is located in the Eagle Rock area. This is an inferior commercial area and therefore was adjusted upward. Sale 4 is located in downtown Glendale, a slightly superior commercial location, therefore, this sale was adjusted slightly downward.

Access to a property is an important issue because difficult access has a negative impact on value. Sale 1 has inferior access because it is the only sale without a corner location and was adjusted upward. Sale 6 was also adjusted upward due to a lack of direct access from Brand Boulevard.

The next category for adjustment is topography, which dictates both the difficulty and expense of development. Level sites are the easiest and the least expensive to develop whereas upward sloping sites are more expensive. Downward sloping sites are the most expensive to develop because of the difficulty in using heavy equipment and the need for extensive labor. Sale 3 has a sloping topography and abuts a cliff, therefore, this sale was adjusted upward.

Site preparation and demolition is an additional cost of acquisition when compared to vacant land. Sale 5 was adjusted upward substantially due to a condition that the buyer is required to provide 650+ parking spaces at their own expense which represents more parking than would typically be required by this type of development. Sales 2 and 4 required, or will require, demolition of existing improvements and this required upward adjustments. Sale 6 required demolition and substantial excavation (for parking), therefore, this sale was adjusted upward more than Sales 2 and 4.

Based on our analysis of the adjusted prices of the comparables presented, it is our opinion the subject's land value, per square foot, is as follows:

83,622 square feet gross @ \$125.00 = \$10,452,750 or \$10,453,000 rounded

#### **Allocation of Land Value to the Proposed Commercial Development**

Our allocation of land value between the proposed occupancies within the subject property are based upon the overall building area totals for each identified use. Based upon data provided by the architects, STUDIOELEVEN at Perkowitz + Ruth Architects, we have calculated the following percentages based upon occupancy.

##### Allocation of Area by Occupancy

Occupancy	Building Area	Parking Area	Total Area	Percentage by Occupancy
Retail/Restaurant	39,770	90,300	130,070	32.74%
Residential	172,146	95,100	267,246	67.26%
Totals	211,916	185,400	397,316	100.00%

Applying the Retail/Restaurant Occupancy percentage to the total land value results in the following allocation of land value to the proposed commercial development:

Total Land Value of \$10,453,000 x 32.74% = \$3,422,312 or \$3,422,000 rounded

## **BENEFITS OF ON-SITE PUBLIC PARKING TO THE PROPOSED COMMERCIAL DEVELOPMENT**

As noted earlier, the proposed project includes 278 “surplus parking spaces” intended to benefit the tenants of The Collection as well as surrounding properties. This surplus parking is in addition to the 209 parking spaces dedicated to the proposed commercial space and the 236 spaces dedicated to the condominium owners.

### *Intangible Benefits*

We have identified a variety of intangible benefits which result from the surplus parking to the commercial tenants. These benefits are especially relevant in an urban setting where parking is often hard to come by and costly to develop. To begin with, more available parking equates to a greater capacity for customers. More customers mean higher potential sales making the development more desirable and more profitable for retail and restaurant tenants. The surplus parking can therefore be used as an inducement to tenants to enter into a lease. This benefit is confirmed by a review of the existing leases with Johnny Rockets, Color Me Mine, So Good Jewelry and Sketchers, all of which establish that The Collection will provide up to 420 parking spaces available to the general public, far more than is necessary according to zoning requirements.

Another benefit is derived from providing patrons with a pleasurable shopping experience. When a patron has to spend excessive time looking for a parking space, it cuts into their spending time. Patrons who are forced to drive around looking for a place to park can develop an unfavorable opinion of the development which can discourage them from returning, or encourage them to patronize a nearby development with more accessible parking. This rationale is what has lead many parking structures to employ a valet parking company to alleviate the frustration patrons face when searching for a parking space. However, with ample public parking, the need for a valet service is moderated.

In addition, a partnership with the City of Burbank allows The Collection to share the responsibility for managing and maintaining the structure. This can significantly reduce the operational costs borne by each of the partners. In addition, there are benefits of the public parking spaces from a customer base perspective, especially in a mixed-use parking structure in which parking, retail and restaurants are provided in the same building. Each time a patron parks or picks up their vehicle, they are in close proximity to the building’s retail and restaurant tenants. Parkers - particularly parking regulars - often grown to rely on those retail establishments and restaurants because of the convenience their proximity provides. For example, the parking structure will be in close proximity to AMC’s new 16 screen theater. The public parking available at The Collection will likely be used by patrons of the AMC theater and other adjacent properties. These patrons are likely to become potential customers of The Collection’s retail and restaurant tenants when they park in the structure. Therefore, the larger the public parking facility, the greater the future benefits to the commercial tenants.

### *Desired Commercial Parking*

Based upon conversations with Pat Gibson of Kaku Associates and contributor to the Urban Land Institute publications “Parking Requirements for Shopping Centers” and “Shared Parking”, there is an “optimum” ratio of parking spaces per 1,000 square feet of retail and restaurant space. Optimum refers to the greatest number of parking spaces necessary to meet demand at the busiest time of day or year.

For retail space, the optimum ratio is approximately 4.3 parking spaces per 1,000 square feet of retail development. But this ratio only applies when the total percentage of gross leased area is 20% or less restaurant and entertainment usages. In a situation such as ours, where restaurants occupy more than 20% of the gross leased area a shared parking methodology is utilized. Shared parking is defined as parking spaces that can be used to serve two or more individual land uses without conflict or encroachment. In a shared parking methodology spaces are calculated relying on the greatest demand for parking, which in this case would be the restaurant uses. For restaurant space, the optimum ratio is 22 parking spaces per 1,000 square feet of restaurant development. In a shared parking methodology, these numbers are not additive. For example, in the evening when restaurants are busiest, many retail stores will be closed, therefore the optimum ratio of 22 parking spaces would be sufficient to serve both the retail and restaurant space. As a result the optimum ratio of 22 spaces per 1,000 square feet of restaurant space is sufficient to provide adequate parking for the entire commercial development.

Therefore, in calculating the optimum number of parking spaces for the Collection, we have multiplied 22 spaces times 15,936 square feet of restaurant space. This results in 351 spaces as an optimum level of parking. Therefore, the optimum parking spaces desired by a developer would be substantially in excess of the 185 spaces required. Deducting the 185 parking spaces required by the City results in a surplus of 166 parking spaces. Since the public parking spaces will provide such desired parking it represents a substantial benefit to the commercial space. However, because these spaces will be “public parking” and also available to patrons of nearby properties, it would be inappropriate to assume that the desired 166 extra spaces would always be available for patrons of the restaurant and retail tenants of the Collection.

### *Calculation of Required Commercial Parking*

The amount of commercial parking for The Collection is based upon City requirements and permitted tenancy according to the Development Plan Agreement. The Plan Agreement limits restaurant tenants to 40% of the total rentable commercial space. The actual commercial parking required by the City is less than the base requirement for Burbank due to the subject’s location in downtown. Therefore required parking is calculated as follows:

Rentable Area	Required Parking Spaces	Base City Requirement	At 80% of Requirement due to Downtown Location
15,936 restaurant @	10 spaces per 1,000 sq.ft.	159	128
24,146 retail @	3.3 spaces per 1,000 sq.ft.	<u>80</u>	<u>57</u>
	Total Parking Required	<u>239</u>	<u>185</u>
	Difference		54 spaces

The direct parking benefit of the downtown location to the subject's proposed commercial development is the difference between the basic city requirement of 239 spaces (as calculated above) and the 185 actual spaces required after applying the reduction due to the downtown location, or 54 parking spaces. Since these 54 spaces would typically be required under traditional City requirements and would be expected in a normal commercial development, we have assumed that they would be fully utilized from the available parking in the proposed public parking module. The fact that these additional 54 spaces will actually be available, represents a valuable benefit to the development. We have estimated the value of this additional parking as follows.

#### *Cost Value of Public Parking Spaces*

The estimated cost of the 463 space parking structure (185 commercial spaces and 278 surplus spaces) including support system, ramps, elevators and walkways is \$9,263,847 (see Marshall and Swift Cost Addendum attached hereto as Exhibit 6) or \$20,008 per parking space. Since the parking is available for the commercial project without cost of land or parking improvements there is a direct financial benefit. We have applied an incremental cost based on 50% of the average cost per parking space in order to calculate the direct value contribution of the available 54 spaces within the "surplus parking area" to commercial improvements as follows:

$$54 \text{ spaces} \times \$10,000 \text{ incremental cost per space} = \\ \$540,000 \text{ benefit to the commercial improvements}$$

#### *Income Value of Public Parking Spaces*

An additional indicator of value is the market value of the free parking based on monthly parking rental rates in similar commercial locations in the Los Angeles area. We have assumed parking in the area of the subject would rent for approximately \$70 per space per month or \$43,360 annually for 54 spaces. Capitalized at an annual rate of 10%, this additional benefit to the commercial tenants would result in a value of \$453,600.

### *Conclusion*

Based upon all of the tangible and intangible benefits of the additional public parking spaces to the commercial development, we have conservatively estimated their direct contribution to value at \$500,000.

## **VALUE CONCLUSIONS**

The value estimate of the Sales Comparison Approach was based upon sales in the open market of similar properties. The quantity and quality of the market data transactions are considered adequate and the required adjustments reasonable for the purpose of formulating a value. The appeal of this approach is its objectivity, since the value estimate is derived from a consensus of buyers and sellers as indicated by recent sale prices.

Based on our investigation, together with the data and analysis contained in the accompanying report, it is our opinion the fee simple market value of the subject property on October 15, 2005 was Ten Million Four Hundred Fifty Three Thousand Dollars.

**\$10,453,000.00**

Based on our investigation, together with the data and analysis contained in the accompanying report, it is our opinion that on October 15, 2005 the value of the portion of the land to be allocated to the retail restaurant improvements was Three Million Four Hundred Twenty Two Thousand Dollars.

**\$3,422,000.00**

Based on our investigation, together with the data and analysis contained in the accompanying report, it is our opinion the value of the additional public parking spaces to be owned by the City of Burbank but available to the commercial development on October 15, 2005 was Five Hundred Thousand Dollars.

**\$500,000.00**

It is our opinion that, based on the data and analysis contained in the accompanying report, it is our opinion that the value of the portion of the land to be allocated to the retail restaurant improvements and the additional public parking spaces to be owned by the City of Burbank but available to the commercial development of the subject property on October 15, 2005 was Three Million Nine Hundred Twenty Two Thousand Dollars.

**\$3,922,000.00**

## **INFORMATION ON BTI APPRAISAL**

BTI Appraisal specializes in real estate, businesses, intangible assets, equipment and economic analysis. Since 1974, we have performed extensive appraisal work, valuations, inspections and research projects for virtually every need including sales, loans, insurance, corporate, legal, I.R.S. and S.E.C. requirements, eminent domain, feasibility and market studies, recapitalizations, ESOTs and economic damages and government requirements. Our clients include law firms and insurance companies, as well as lenders, corporations and governmental agencies. Various staff members normally contribute to a report to meet specialized requirements. This group of experienced professionals provides a broad range of in-depth coverage for a great diversity of project needs. This study was principally performed by Ben F. Tunnell III, John J. Griffey, Stephen Rich and Megan O'Rourke.

The firm is managed by Ben F. Tunnell III, Chairman. His previous background includes eight years with First Interstate Bank of California as Vice President at their Corporate Headquarters in Los Angeles. Mr. Tunnell received a BA degree in Economics from Claremont McKenna College and attended post-graduate courses at UCLA and the American Institute of Banking where he also lectured. He has served on the Board of Arbitrators for both the American Arbitration Association and the Better Business Bureau, and was previously a Registered Investment Advisor and a Broker/Dealer with the Securities and Exchange Commission as well as a licensed California Real Estate Broker. Mr. Tunnell is a Certified General Real Estate Appraiser #AG006964 and an ASA, the senior designation of the American Society of Appraisers in Business Valuation. He has qualified and testified in Federal and Superior courts as well as arbitration proceedings as an expert witness in the areas of economic analysis, business, equipment and real estate appraisals.

Mr. John J. Griffey, President and Certified General Real Estate Appraiser #AG011138, has been involved with all types of real estate project appraisals and analysis since 1992. His financial background includes nine years of management experience with Glendale Federal Bank. He is a graduate of the University of Illinois with a BS in communications and an associate member of the Appraisal Institute.

Mr. Stephen Rich, Certified General Real Estate Appraiser #AG010280, has been associated with the company since 1985 and is a member of the American Institute of Real Estate Appraisers (MAI) and the Society of Real Estate Appraisers (SRPA). His background includes a six-year position as Staff Appraiser with the U.S. Department of HUD and a four-year position as Regional Manager with Joseph J. Blake and Associates, Inc., both in Chicago, Illinois. Mr. Rich was also President of his own real estate firm in Chicago for five years. He is a graduate of Cornell University in Ithaca, New York, where he received a Bachelor of Arts degree in Finance.

Megan O'Rourke, Vice Chairman and General Counsel, began working at BTI in 1990. She earned a BA in English from the University of Southern California, and graduated magna cum laude from Loyola Law School. Megan began her legal career at Gibson, Dunn & Crutcher LLP where she practiced in both the real estate and corporate law departments, before returning to BTI in 2003. Among her duties at BTI, Megan serves as a senior analyst in real estate, economic analysis, machinery and equipment, business and intangible asset matters.

## REPRESENTATIVE BTI APPRAISAL CLIENT LIST

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Breidenbach, Buckley, Huchting & Hamblet  
Bremer & Whyte  
Evan, Crandall, Wade, Lowe & Gates  
Ford, Walker, Haggerty & Behar  
Freeman, Freeman & Smiley  
Gibson, Dunn & Crutcher  
Gifford & Dearing  
Greenberg Glusker Fields Claman & Machtinger  
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Pillsbury Winthrop, LLP  
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Ropers, Majeski, Kohn & Bentley  
Rutan & Tucker

### **Corporations and Institutions**

Aeropres Corporation  
Airmotive Holdings, Inc.  
Armtec Defense Products Co.  
California Ironworkers Union  
Clear Channel Communications  
Glacial Water  
Honda Trading of America  
Lennar Communities  
Mark Taper Foundation  
RPM, Inc.  
The Annenberg Foundation  
University of Southern California

### **Financial Institutions**

American Premier Bank  
Banco Popular  
Bank of China  
CommerceWest Bank  
First American Bank  
J.P. Morgan Chase Bank  
Morgan Stanley

### **Spectrum Bank**

Telacu Community Capital  
Union Bank of California  
United Commercial Bank  
Wilshire State Bank

### **Government Agencies**

Alameda Corridor Engineering Team  
Centre City Development Corp.  
City of Cerritos  
City of Commerce  
City of Downey  
City of Los Angeles  
City of Monterey Park  
City of San Diego  
City of Santa Monica  
City of Santa Paula  
City of Torrance  
FDIC  
Internal Revenue Service  
L.A. Housing Authority  
Metropolitan Transit Authority  
Public Hospitals Authority of the Bahamas  
San Diego County Counsel  
State of California Department of Justice  
U.S. Department of Army

### **Insurance Companies**

Allstate Insurance  
California Fair Plan  
Farmers Insurance  
Fireman's Fund Insurance  
Great American Insurance  
Hartford Insurance  
Hawkeye Security Insurance  
Safeco Insurance  
Scottsdale Insurance Company  
State Farm Insurance  
Travelers Insurance  
Truck Insurance  
21st Century Insurance  
Zurich Insurance

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2. Ibid, page 204
3. Ibid, page 204
4. Ibid, page 260
5. **Uniform Standards of Professional Appraisal Practice.** Washington D.C.: The Appraisal Foundation 1995, pages 7-8
6. **Statement on Appraisal Standards No. 6.** The Appraisal Foundation, 1995, page 71
7. **The Appraisal of Real Estate.** Chicago: Appraisal Institute, Tenth Edition 1992, pages 317 and 318
8. Ibid, pages 419 and 420
9. Ibid, page 420
10. Ibid, pages 371 and 372
11. **The Dictionary of Real Estate Appraisal, 3rd Edition.** Chicago: Appraisal Institute, 1993, page 219
12. **The Dictionary of Real Estate Appraisal, 3rd Edition.** Chicago: Appraisal Institute, 1993, page 171

## CERTIFICATION

We, Ben F. Tunnell III, John J. Griffey, Stephen Rich and Megan O'Rourke, certify that, to the best of our knowledge and belief, the statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

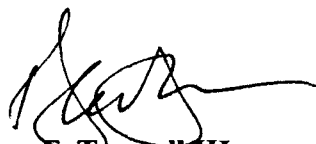
Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Federal Home Loan Bank Board and the Uniform Standards of Professional Appraisal Practice.

Unless otherwise noted in writing, the appraiser has done similar assignments to the subject and has the knowledge and experience to complete this assignment competently.

Ben F. Tunnell, John J. Griffey and Stephen Rich have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the persons signing this report.



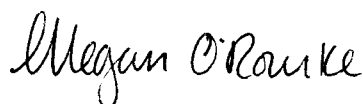
**Ben F. Tunnell III**  
Chairman  
Certified General Real Estate Appraiser  
#AG006964



**John J. Griffey**  
President  
Certified General Real Estate Appraiser  
#AG011138



**Stephen Rich, MAI**  
Senior Appraiser  
Certified General Real Estate Appraiser  
#AG010280



**Megan O'Rourke**  
Vice Chairman & General Counsel

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